VOL 8 No 2 FEBRUARY 1978

SURVEY of Current Affairs

Government and Administration

Devolution 39
Parliamentary Broadcasts 39
Direct Elections to the European Assembly 40
Northern Ireland 40

External Affairs and Defence

European Community 44
Arms Control and Disarmament 47
The Prime Minister's Visit to South Asia 48
Anglo-Greek Relations: Visit by Greek Prime Minister 49
Belize 50
Shorter Notes 50
Increase in Defence Expenditure; Cyprus

Economic and Scientific Affairs

Public Expenditure Plans 52
International Comparisons of Taxes and Social Security Contributions 56
Family Expenditure Survey 1976 58
The Industrial Strategy: Progress Review 59
British Leyland: Reorganisation Plans 60
Company Profit-sharing Schemes 62
Pay Policy Sanctions 63
Industrial Relations 65
Measures to Reduce Unemployment 68
Annual Review of Agriculture 68
Nuclear Power Programme 70
Airports Policy 70
International Satellite Launched 72
Shorter Notes 72
Repayment to International Monetary Fund

Social and Cultural Affairs

The British Council 73

Documentation

75

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CORRECTION

Page 39. The last sentence in column 1 should read: 'The whole clause, as amended, was passed by 242 votes to 18.'

GOVERNMENT AND ADMINISTRATION

Devolution

During the committee and report stages of the Scotland Bill, three major amendments were made to the arrangements for a referendum in Scotland on devolution.

Committee Stage

The House of Commons' detailed discussion in committee of the Scotland Bill (see pp 452-6, 1977) was completed on 1 February. On 25 January, in a debate on a clause setting out the arrangements for a referendum to establish whether the people of Scotland are in favour of devolution, the Government's proposals were twice materially amended (*Hansard*, 25.1.78, cols 1460-552).

The first amendment, proposed by Mr Bruce Douglas-Mann, was itself successfully amended by another Labour back-bencher, Mr George Cunningham. As amended, it stipulated that if after the referendum it appeared to the Secretary of State for Scotland that less than 40 per cent of those entitled to vote had voted in favour of devolution, then he should take steps to repeal the devolution legislation.

For the Government, the Minister of State at the Privy Council Office, Mr John Smith, said that the amendment would mean a change from the referendum procedure which had been adopted when the referendum on Britain's membership of the European Community had been held. No good reason had been advanced for such a change.

Although the Liberals and MPs from nationalist parties supported the Government in voting against the amendment, it was carried by 168 votes to 142. The official Opposition and 37 Labour back-benchers voted in favour of the amendment.

Another amendment to the same clause was moved by the Liberal MP for Orkney and Zetland, Mr Joseph Grimond, providing that if in the referendum a majority of votes cast in the Orkney Islands or a majority of votes cast in the Shetland Islands were against the implementation of the devolution legislation, then the legislation would not take effect in the relevant area or areas. Instead, a commission would be set up to recommend appropriate administrative changes. The vote was taken immediately after the motion and the amendment was carried by 204 votes to 118. This time the Liberals, 49 Labour back-benchers and the official Opposition voted against the Government. The Whole clause, as amended, was passed by 242 votes to 180.

Report Stage

The report stage of the Scotland Bill took place on 14 and 15 February.

On 14 February (*Hansard*, cols 252-302) a new clause proposed by a Labour back-bencher, Mr Tam Dalyell, providing that if Parliament were dissolved before the referendum, the referendum would not be held until at least three months after the polling day for the ensuing general election, was passed by 242 votes to 223. For the Government, Mr John Smith argued against the proposal on the grounds that the Bill already gave Parliament the power to settle the date of the referendum, and that there might need to be more flexibility about timing than the clause allowed.

On 15 February (*Hansard*, cols 533-606) a back-bench motion to delete Mr Cunningham's amendment (see above) was defeated by 298 votes to 243, and another motion seeking to substitute 'one in three' for '40 per cent' in Mr Cunningham's amendment was defeated by 285 votes to 240. Both motions were supported by the Government, but some 50 Labour back-benchers voted with the official Opposition against the first motion and some 37 against the second.

The Bill now goes for its third reading.

Detailed consideration in committee of the Wales Bill (see pp 452-6, 1977) is expected to begin soon.

Parliamentary Broadcasts

Broadcasting of the proceedings of both Houses of Parliament is expected to start immediately after Easter.

On 6 February a debate was held in the House of Commons on the question of how the House was to oversee the operations of the broadcasting authorities (*Hansard*, cols 1097-1155).

The decision in principle to make arrangements for the sound broadcasting of parliamentary proceedings was taken in March 1976 (see pp 99-100 and p 187, 1976), following successful experiments the previous year. Two motions were introduced in both Houses of Parliament in July

1977 (*Hansard*, 26.7.77, cols 539-74 and *Hansard, HL*, 28.7.77, cols 1135-62), authorising the British Broadcasting Corporation and the Independent Broadcasting Authority to operate and provide broadcasting equipment, and setting up a Joint Committee on Sound Broadcasting to oversee the operation. The committee was to determine the conditions on which the authorities could supply signals to other broadcasting organisations, to satisfy itself that no signals would be used in programmes of light entertainment or political satire, and to make arrangements for a sound broadcasting archive. The House of Commons failed to reach a decision on the setting up of the committee, and a motion was subsequently reintroduced in the current session of Parliament to provide for this (*Hansard*, 26.1.78, cols 1748-81). The debate was adjourned and resumed on 6 February.

Two amendments to the motion were moved, both seeking to retain a measure of parliamentary accountability for broadcast signals, and vesting copyright of them in the House rather than in any broadcasting authority. The first amendment, seeking to appoint a manager to supervise the preparation of signals, was defeated by 64 votes to 53. The second, seeking to set up a House of Commons broadcasting unit, akin to the organisation of *Hansard*, to supply all signals to broadcasting authorities, was defeated by 68 votes to 49.

The Parliamentary Secretary at the Privy Council Office, Mr William Price, said, with reference to the interests of Parliament, that the broadcasting authorities had for many years provided balanced and objective coverage of parliamentary proceedings. The Government was asking the House initially to accept a trial period of about 18 months, during which the matter could be kept under constant review.

Direct Elections to the European Assembly

A 'guillotine' motion limiting the time available for debate on the European Assembly Direct Elections Bill has been passed by the House of Commons by 314 votes to 137. The Government has added a new clause to the Bill during its committee stage. The Bill received its third reading on 16 February by 159 votes to 45.

On 26 January the Government introduced a motion limiting to three days the time available for debate in committee on the European Assembly Direct Elections Bill. The Bill was read for a second time in November (see pp 451-2, 1977).

During the debate on the motion (*Hansard*, 26.1.78, cols 1623-94), the Home Secretary, Mr Merlyn Rees, referred to a meeting of the Council of Ministers on 17 January, in the course of which the Foreign and Commonwealth Secretary, Dr David Owen, had informed the foreign ministers of other member states of the stage that the Bill had reached and the implications of this for the mid-1978 target date for holding elections to the Assembly (see p 3). The news had not come as a surprise to the ministers, said Mr Rees, and, indeed, it was by no means certain that all the other member states could have been ready for elections by mid-1978. It had been agreed by the Council that it was desirable to fix a new date, but no decision had been taken. It would, Mr Rees presumed, be some time in 1979.

The voting on the guillotine motion was across party lines. Just under a half of those voting against the motion were Labour backbenchers.

New Clause

On 2 February, during the Bill's committee stage (*Hansard*, 2.2.78, cols 793-872), the Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen, introduced a new clause, in fulfilment of an earlier pledge (see p 452, 1977). The new clause stated that no treaty or international agreement which provides for any increase in the powers of the European Assembly may be ratified by Britain unless it has been approved by an Act of Parliament. Dr Owen said that in the debate on the second reading of the Bill some MPs had expressed anxiety about a movement towards federalism in the European Community and about the erosion of the powers of the House of Commons as a result of the extension of those of the Assembly. The Government's attitude towards these matters had been made clear by the Prime Minister in his letter to the General Secretary of the Labour Party (see p 409, 1977). The Prime Minister had said the Government was opposed to federation and was determined to uphold the rights of national governments and parliaments. The new clause, said Dr Owen, would fully meet the concern expressed by MPs.

At the conclusion of the debate, Mr Frank Judd, Minister of State at the Foreign and Commonwealth Office, said that the new clause dealt specifically with the extension of the powers of the Assembly, not with any extra influence the Assembly might derive from being directly elected or with any fuller use it might make of existing powers. In that respect, he said, the determination of MPs themselves would guarantee the rights of the House of Commons.

The clause was approved by 101 votes to 7 and was added to the Bill.

Earlier the same day (*Hansard*, 2.2.78, cols 724-54), the House of Commons had rejected by 241 votes to 150 an amendment first moved on 12 January to replace the single transferable vote system proposed for Northern Ireland elections to the Assembly by the simple majority system to be used in the rest of Britain.

Northern Ireland

Recent developments concerning Northern Ireland include a speech by the Secretary of State on investment in the Province; the publication of security statistics which show a drop in the level of violence in 1977; remarks

by the Prime Minister of the Irish Republic and reactions to them; talks between Northern Ireland political parties and officials on an interim form of devolved government; and the judgment of the European Court of Human Rights on the case referred to it by the Irish Republic concerning interrogation techniques.

INVESTMENT IN NORTHERN IRELAND

Addressing a conference of the Confederation of British Industry in London on 8 February, Mr Roy Mason, the Secretary of State for Northern Ireland, said that the Province, with its proven record of sustained output, high productivity, good industrial relations and solid export achievement, was well placed to take advantage of the improvement in the overall economic situation in the United Kindgom. Since 1969, manufacturing output in Northern Ireland had risen by 14 per cent compared with 4 per cent in the United Kingdom as a whole. In the same period productivity increased by 37 per cent and exports increased by 104 per cent. Industrial relations had been consistently good. In 1976 days lost per 1,000 workers through industrial stoppages amounted to 91 while the overall figure for the United Kingdom was 145. There were a number of other features of the Northern Ireland economy, said Mr Mason, which gave grounds for optimism about the future. Of particular significance was its demonstrated capacity to adapt to changing circumstances. Since the last war over 300 projects had been successfully launched with assistance from the Government. While a substantial number of these had originated with companies already established in Northern Ireland, some 130 had come from outside the Province. Of these, the majority had been investments by British companies, although other important sources had been the United States and continental Europe. The structure of the economy had undergone significant change: a former dominance of the older industries of shipbuilding, traditional textiles and agriculture had given way to a wide range of new products, processes and skills. Today in Northern Ireland were many internationally known companies – Courtaulds, ICI, Goodyear, Michelin, Ford, Du Pont and ITT.

Despite the difficulties of the past eight years, continued investment and reinvestment by firms already established in Northern Ireland remained encouraging and hopeful realities. In 1976 total investment in manufacturing industry from public and private sources was nearly £170 million. In the same year future investment commitments entered into by companies amounted to a further £67 million. These were no mean achievements by any standard and they added up to a picture of continuing economic vitality. It was also a fact that, depending on the nature of the production process, unit costs in Northern Ireland could be among the lowest in the United Kingdom. Additionally, the Province operated probably the most comprehensive training machine in Europe; nowhere in Northern Ireland was more than 25 miles from a Government Training Centre and these centres provided more than ten times the number of places for trainees than are available proportional to the population in the rest of the United Kingdom. Those firms which had located in the Province had found an environment conducive to commercial success and this had been virtually unaffected by the troubles. A total of only 824 jobs had been lost through companies closing as a direct result of terrorist activity and, at the same time, since 1969 the Government had promoted over 52,000 jobs. With grants for expenditure on buildings and plant, improvements in factory rent, interest relief on commerical borrowings, and the introduction of assistance towards research and development, Northern Ireland's incentive package was one of the most generous and flexible in Europe.

Mr Mason went on to say that he did not regard Northern Ireland's attractions as a location for investment as being simply or mainly a matter of financial incentives. The communication facilities within and to and from the Province were excellent. The Province offered a good quality of life. The standard of education offered by the schools was second to none; personal health facilities were excellent; good quality housing was available in the most attractive of locations. Facilities for leisure pursuits and recreation included golf, sailing, walking and fishing in beautiful countryside.

Despite these advantages, generous financial assistance and strenuous efforts by the Government to attract new industry to the Province, the number of people out of work remained high. Northern Ireland had traditionally been a labour-surplus economy. Numbers in employment had steadily increased but, given the high rate of natural increase in the Province and the industrial restructuring which had been taking place, the increase in employment opportunities had fallen behind the growth in the population of working age, despite substantial emigration. Mr Mason said he found it totally unacceptable that over 60,000 people out of a population of 1·5 million should be out of work. This was why he was taking every opportunity to encourage investment.

SECURITY STATISTICS 1977

Security statistics published on 1 February (*Hansard*, written answers, cols 236-42) show that deaths from violence in Northern Ireland during 1977 were at their lowest level for seven years. The total of 112 deaths in 1977 compared with 297 in 1976. The number of civilians killed in 1977 was 69 compared with 245 in 1976 while deaths of members of the security forces numbered 43 compared with 52 in 1976; the number of injuries fell by a half from 2,729 in 1976 to 1,399 in 1977. Shooting incidents dropped from 1,908 in 1976 to 1,081 in 1977 and explosions from 766 to 366. At the same time persons charged with serious security-type offences (including murder, attempted murder, firearms and explosives offences and theft) rose from 1,276 in 1976 to 1,308 in 1977.

MR LYNCH'S RADIO INTERVIEW

In an interview on Irish radio on 8 January, Mr Jack Lynch, the Irish Prime Minister, called for the British Government to make a declaration on eventual withdrawal from Northern Ireland and encouragement of co-operation between the North and South. He also said that if the violence in Northern Ireland came to an end the Irish Government would

'naturally give careful consideration to some form of amnesty or mitigation of sentences' for Provisional IRA prisoners in the Republic.

The following day a statement was issued by Mr Roy Mason in which he referred to the 'unhelpful comments' made by Mr Lynch, and said that the meeting between the Prime Ministers of the United Kingdom and the Irish Republic in September last year established a clear understanding of each Government's position (see p 406, 1977). Mr Mason said that the British Government's policy in respect of Northern Ireland, which had the support of the major parties in Westminister, was based on the principle that Northern Ireland would remain part of the United Kingdom for as long as the majority of people there so wished, that it was the Government's aim to establish in Northern Ireland a fully devolved Government and Parliament; that more of the government of the Province should be conducted by locally-elected representatives and that any development of the present system must be one which both sides of the community could support and sustain.

With reference to Mr Lynch's remarks about a possible amnesty, Mr Mason said that talk of amnesty for those convicted on carefully gathered evidence presented before the courts could do nothing but give succour to the law-breakers.

On 10 January Mr Lynch issued a statement in which he expressed surprise at the response to his radio interview. On the subject of a possible amnesty he said he made it clear that he was dealing with a hypothetical question and emphasised that his Government had given no consideration to an amnesty for anyone. By quoting from the communiqué issued after his talks with the British Prime Minister in September 1977, he reaffirmed his Government's commitment to security co-operation with the United Kindgom. He said that on 'power-sharing' he had said nothing that did not reflect the stated policies of British and Irish Governments over the last five years.

Mr Mason subsequently said in the House of Commons (*Hansard,* 12.1.78, cols 1831-2) that Mr Lynch's statement had removed most of the ambiguity about amnesty and he did not think it necessary to make any further representation about the matter.

TALKS WITH NORTHERN IRELAND POLITICAL PARTIES

Answering questions about the progress of talks with the political parties in Northern Ireland, Mr Mason said in the House of Commons (*Hansard,* 12.1.78, cols 1833-40) that exploratory talks had started with his officials last month and he hoped they would continue in due course. [After Mr Lynch's radio interview, Mr Harry West, leader of the Official Unionist Party, said that Mr Lynch had indicated that an interim administration in Northern Ireland would include power-sharing and that he would ask the Prime Minister to confirm that he had not told Mr Lynch that this would be so. Mr West said his party would withdraw from the current round of talks until this point was cleared up.]

In response to a question about the use of the term 'power-sharing', Mr Mason said he had not used the expression; he always insisted that it should be a case of partnership and participation in the administration of Northern Ireland. The term 'power-sharing' tended to be taken as meaning the system laid down in 1973. The Government was in no way committed to this system, or indeed, to any other system. It was committed to a devolved system of government in which all sections of the community could participate on a fair basis and in which the rights of all citizens were fully safeguarded. He had laid before the four major parties (the Official Unionist Party, the Social Democratic and Labour Party, the Alliance Party and the Democratic Unionist Party) the framework of a possible interim form of devolution and talks were continuing.

REVIEW OF PREVENTION OF TERRORISM ACT

A review of the Prevention of Terrorism (Temporary Provisions) Act is to be undertaken by Lord Shackleton with the following terms of reference: 'Accepting the continuing need for legislation against terrorism, to assesss the operation of the Prevention of Terrorism (Temporary Provisions) Acts 1974 and 1976, with particular regard to the effectiveness of the legislation and its effect on the liberties of the subject, and to report.'

In a written parliamentary answer on 12 December 1977 (*Hansard,* cols 15-16), the Home Secretary, Mr Merlyn Rees, said that he had agreed to consider ways in which the operation of the Act might be examined. He was in no doubt that, while IRA violence continued, legislation would be necessary to deal with terrorism, but he felt the time was right to see how the Act was working in practice.

The Prevention of Terrorism (Temporary Provisions) Act, 1976 (see pp 471-2, 1975), which closely resembles the 1974 Act, was designed to combat terrorist activities undertaken in Great Britain in connection with Northern Ireland affairs. It proscribes the IRA, makes it an offence to assist it, empowers the Home Secretary to make exclusion orders against people involved in terrorism, gives the police powers to arrest and hold for up to 48 hours anyone they reasonably suspect of being involved in terrorism, and provides for the examination of travellers entering or leaving Great Britain or Northern Ireland. It is subject to annual renewal.

EUROPEAN COURT OF HUMAN RIGHTS

In its judgment published on 18 January (*Case of Ireland against the United Kingdom,* Strasbourg, unpriced), the European Court of Human Rights found that interrogation techniques used against 14 men in Northern Ireland in 1971 did not constitute torture but did amount to inhuman and degrading treatment. The court's judgment concerned the case referred to the European Court in March 1976 by the Government of the Irish Republic after the findings of the European Commission of Human Rights had been made known to member Governments of the Council of Europe. The Commission's report was published in September 1976 (see p 378, 1976).

Finding the techniques a breach of Article 3 of the European Convention on Human Rights (no one shall be subjected to torture or to inhuman or degrading treatment or punishment) the court

states: 'Although the five techniques,[1] as applied in combination, undoubtedly amounted to inhuman and degrading treatment, although their object was the extraction of confessions, the naming of others and/or information and although they were used systematically, they did not occasion suffering of the particular intensity and cruelty implied by the word torture as so understood.'

The judgment notes that the United Kingdom Government did not contest the Commission's conclusions that there had been a breach of Article 3, but that the Government believed the subject matter of the findings now belonged to 'past history' since the techniques had been abandoned in 1972; there had been a 'solemn and unqualified' undertaking by the Government in 1977 not to reintroduce these techniques; and measures had been taken to prevent the recurrence of the events complained of and to afford reparation for their consequences, including the payment of compensation in many cases.

The court also ruled that it could not direct Britain to institute criminal or disciplinary proceedings against members of the security forces involved.

On Article 5 (the right to liberty and security of person) the court acknowledged that at the time the techniques were used there existed in Northern Ireland 'a public emergency threatening the life of the nation'. It ruled that the introduction of detention did not go beyond what was required by the exigencies of the situation. Moreover, it found that no discrimination contrary to Article 14 (that the enjoyment of the rights and freedoms set forth in the Convention shall be secured without discrimination on any ground . . .) was established in the use of detention.

The 121-page report opens with an account of the emergency situation in Northern Ireland and its background. It then examines the allegations of ill-treatment in relation to the relevant articles of the European Convention on Human Rights and sets out its conclusions. Annexed to the judgment are the separate opinions of five of the 17 judges constituting the court.

After the publication of the judgment, Mr Roy Mason, Secretary of State for Northern Ireland, said that it was a matter of satisfaction to the Government that the court had rejected the charge of torture, had agreed with the Commission that the introduction of detention did not go beyond what was strictly required, and that there was no discrimination in its use, and has rejected allegations that the Commission's other findings did not go far enough. He regarded this as a chapter now closed. He hoped that the efforts of all concerned on both sides of the border could now be concentrated on the defeat of the common enemy – the men of violence who continued to maim and kill innocent people today.

[1]The techniques were wall-standing; hooding; subjection to noise; deprivation of sleep; and deprivation of food and drink.

EXTERNAL AFFAIRS AND DEFENCE

European Community

The Foreign and Commonwealth Secretary has spoken on the future development of the Community. The May-June 1978 date for the elections to the European Assembly cannot be met and it is expected that the elections will take place in 1979 (see p 40). The green pound has been devalued. Britain has asked the Commission to take action with a view to ending discrimination by France against British lamb exports. The Commission is to continue fishery negotiations with non-member countries, but no agreement has been reached on the internal fishery regime. The Council has agreed on the Community's approach to the multilateral trade negotiations and to make every effort to conclude accession negotiations with Greece. A trade agreement with the People's Republic of China has been initialled.

SPEECH BY FOREIGN AND COMMONWEALTH SECRETARY

Views on the future development of the European Community were set out by the Foreign and Commonwealth Secretary, Dr David Owen, in a speech to the British Labour Group in Brussels[1] on 6 February.

The Attitude of the Labour Party

Dr Owen began by noting that over the five-year transitional period of Britain's membership of the European Community, which ended on 31 December 1977, there had been a gradual adjustment of the approaches and practices of Government policy to Community membership, but, more profoundly, there was now in Britain 'a new political understanding of the permanence of Community membership'. The subject of Community membership had been a cause of severe strain to Britain's political system and parties for over 15 years, and, two and a half years after entering the Community,[2] the Labour Government had conducted a referendum on the subject, which had produced a clear result (see p 227, 1975). It had taken another two and a half years, Dr Owen said, to adjust to this reality, but many of those in the Labour Party who had opposed entry into the Community were able to support at last year's Labour Party Conference a policy of 'distinctive change, but working from within the Community with our partners, not against our partners'.

The Labour Party, said the Foreign and Commonwealth Secretary, would fight the next British general election – and, he believed, the European Assembly elections – committed to membership of the European Community, and to playing a full part in developing a new and wider Europe. 'But', he said, 'we will do so on a platform detailing important aspects of Community policy where we will seek change from within the Community.'[3] The argument inside the Labour Party over the shape, objectives and future structure of the European Community would continue because the Labour Party rightly reflected differences of view which existed in the country. But now, said Dr Owen, Britain could put forward its views on how the Community should be evolving without being suspected of trying to undermine its foundations, because 'the relationship itself is not at risk'.

Britain and the Enlarged Community

Dr Owen went on to say that the Community of nine was more than the Community of six with three new members: 'The Community of nine is a fusion which, even though the basic institutional framework has remained the same, has created a new Community.' Because Britain was the largest of the new members, it inevitably became the butt of those who wished to preserve unchanged the attitudes and practices of the original Community, and who felt that Britain was trying to alter the Community to suit its own interests rather than conforming to the rules of the club that it had joined voluntarily. Naturally, Britain had to accept the rules, Dr Owen said, but 'the rules of a club can remain while the club changes its character, and this is what has happened in the Community'. While Britain was entitled to expect a genuine Community of nine, 'not a grafting-on of three on to six', it also had to ensure that its view of the Community was seen by its partners as being neither static nor destructive.

The Foreign and Commonwealth Secretary described the difference of approach between Britain and most of its European partners as concerning

[1] This group consists of British Labour Party members living in Brussels.

[2] The Treaty of Accession was signed in January 1972 (see p 55, 1972).

[3] Some of these changes were described in the Prime Minister's letter to the General Secretary of the Labour Party (see pp 408-9, 1977).

the division between the Anglo-Saxon and the Napoleonic philosophical and political traditions. Britain's approach was empirical and sought practical improvements to immediate issues rather than aiming at some far-off goal. This attitude influenced Britain's outlook on, for example, the question of federalism. Dr Owen said that Britain could not see in concrete terms how nine nations with very different political, social and cultural traditions could become federated over any realistic time scale. 'I believe', he said, 'the British people prefer an evolving, open ended Community and will resist . . . attempts to force the Community into a rigid, predetermined view of what a future Europe should be.'

Instead of federalism, Dr Owen preferred to see the Community as a confederal system, 'one where sovereign states cede to a central authority the responsibility for handling certain common matters, while retaining a measure of control over common business and undisputed authority over everything for which responsibility has not been transferred to the centre'.

The Role of the Commission

Dr Owen pointed out that the Community was a completely new phenomenon, different from normal intergovernmental organisations, and emphasised the special nature of the Commission. The Commission's independent role was an important element in the way the Community worked at present, but if the Community was to evolve, it was not unreasonable to expect the Commission also to evolve. 'In a Community of 12', said Dr Owen, 'I do not envisage a large Commission; in fact I think the number of Commissioners should be reduced. Even now for the Commission to work effectively . . . it should change some of its previous practices and attitudes instead of appearing at times to be frozen in the posture of the Commission of the six.'

He went on to discuss the feeling in Britain that parts of the Community, including parts of the Commission, had not really appreciated Britain's special position as an island. 'It has not always been realised', he said, 'that an island nation will, quite justifiably, have an outlook of its own, for example on fishing, just as a country rich in agricultural land, like France, has its own well-safeguarded outlook on agriculture, Britain's water supply and pollution problems, too. were quite different from those of its continental neighbours, and meant that it was common sense for Britain to resist the imposition of harmonised standards based on the pollution problems of continental rivers. There were, however, positive examples where the Commission had seen the need at an early stage to adapt policies to take account of new member states, and Dr Owen gave as examples the field of aids to industry and the Commission's emerging policies on energy.

Problems of Enlargement

Just as an effective and efficient Commission had to adapt to the practical difficulties of harmonising in a Community which had grown from six to nine, it would be even more necessary to adapt for a Community of 12 members. Enlargement would change the Community, and while a Community of six had had great attractions for its original members, it also had considerable limitations, particularly political, and it was because of these limitations that the decision to enlarge was taken. Similarly, it was political arguments and political pressures that were the main driving force behind the present wish to enlarge to 12.

However, there were limits as to how far political considerations could override economic considerations, and the essential basic framework of the Community of coal, steel, trade tariffs and agriculture had to be safeguarded. There were already worrying trends showing economic divergence between the existing member states, and if enlargement were to exacerbate these divergencies, then it would damage the Community. In 1976 these trends were particularly marked and carried with them the threat of seriously weakening the political and social cohesion of the Community, but, although substantial structural differences between the member states remained, Dr Owen said he believed 'that the improvement in the British economic performance recently, and in particular our declining inflation rate, make a welcome start on the path . . . of increasing convergence'.

Support by the Community for the concept of enlargement was based on the strong political commitment to the support of democracy in Greece, Portugal and Spain, and the belief that Community membership would be an important factor in stabilising and protecting their democracies. However, Dr Owen warned, no one should underestimate the difficulties involved in enlargement. The timing of the accession of the three applicant countries had to be considered according to the merits of each case, but the cumulative economic impact of their membership was a major factor for all to consider. New members with a low income per head seemed bound to slow down the process of establishing a single market for goods and services inside the Community, and a number of agricultural products produced by the applicant countries would be in direct competition to products grown inside the existing Community.

Enlargement, said Dr Owen, was 'historically inevitable and politically desirable', but the Community had to consider the realities that flowed from this political commitment. However, it should aim to settle its overall approach to the main enlargement problems by the end of the year if possible, otherwise it risked offending the applicant countries, denying them the support their democracies needed and thus negating the basic political justification for enlargement.

Dr Owen concluded by noting that it should not be forgotten that the Community of nine had problems of its own, such as unemployment, disparities in growth and investment rates, major weaknesses in the Common Agricultural Policy, and the problem of reconciling access to its markets for imports from the developing world with the need to sustain its own industries. These problems had to be tackled in parallel with that of enlargement by both the Commission and the member states.

AGRICULTURE

Devaluation of the Green Pound

At its meeting on 31 January, the Council of Ministers agreed that the green pound should be devalued by 7·5 per cent. The green pound is the fixed rate used for converting Community agricultural

support prices and levels of aid into sterling. The device of adopting such fixed rates for member countries' currencies is used by the Community to avoid fluctuations in support prices as market exchange rates change. As well as increasing the British farmers' support prices and levels of aid, the devaluation will reduce subsidies (monetary compensatory amounts—MCAs) paid by the Community on food exported to Britain. (Following the previous devaluation, agreed in April 1977 (see p 186, 1977), the green pound rate was £1 = 1·70463 units of account.)

Background

Farming leaders and others had been urging a devaluation of the green pound in order to encourage agricultural expansion through an increase in farmers' incomes and a reduction in imports. They had drawn particular attention to the difficulties experienced by livestock farmers in the face of subsidised imports. The Government, however, has had to take into account the likely effects of the devaluation on the economy as a whole, especially on the cost of living (see p 32, 1977).

On 20 January, the Minister of Agriculture, Fisheries and Food, Mr John Silkin, stated in a House of Commons reply that he had asked the Community's Commission to propose a 5 per cent devaluation (*Hansard*, 20.1.78, written answers, col 400). Subsequently, the Commission proposed such a devaluation to the Council of Ministers. However, on 23 January the Opposition front-bench chief spokesman on agriculture, Mr John Peyton, initiated a Commons debate by moving 'that this House, believing that it is as much in the interests of the consumer as of the producer to sustain the livestock industry, calls [for a devaluation of] the green pound forthwith by 7·5 per cent (*Hansard*, 23.1.78, cols 971-1098). The Government introduced an amendment which would have made the motion read: 'That this House, recognising the special difficulties of the producers of pigmeat and beef, approves the action of [the] Government in requesting the Commission to propose an immediate devaluation of the green pound by 5 per cent as part of a move, in the course of 1978, to increase the net income of such producers by 10 per cent, an amount which corresponds to the guidelines figure in the Government's incomes policy'. (See pp 304-8, 1977, for an exposition of the Government's policy on inflation and unemployment.) However, the House rejected the amendment by 291 votes to 280, and the Opposition motion was passed by 291 votes to 281.

Following the vote, at the Community's Council of Ministers' meeting on 23 and 24 January, Britain requested the Council to amend the Commission's proposal (see above) so as to increase the amount of the devaluation to 7·5 per cent. The Council agreed but the Belgian, Dutch and Federal German delegations reserved the right of their Governments to withdraw their consent. In a House of Commons statement on 26 January (*Hansard*, cols 1613-22), Mr Silkin pointed out that there was no precedent for a member state being denied a request to change its green rate at a Council meeting, and that the delay caused by this reservation could have prejudiced the discussion of other issues in the interim. He had made it clear to the Council, he said, that, until the devaluation was finally approved, he would not feel able to take part in the discussion of other issues.

Timetable

The devaluation was eventually agreed at a special meeting of the Council on 31 January. Mr Silkin reported in a statement to the House of Commons on 1 February (*Hansard*, cols 470-84) that the following timetable had been adopted: 'For beef and pigmeat, a devaluation of 5 per cent on 2 February; the additional 2·5 per cent for these commodities, and 7·5 per cent for milk and milk products, to take effect when the Council's decision on prices and other measures for 1978-79 enters into effect[1]; for all other commodities, the full 7·5 per cent to take effect at the beginning of the marketing year for each commodity.'

Lamb Exports

The Governments of France and of the Irish Republic have agreed that lamb from the Irish Republic should be allowed completely free access into France from 1 January. Although levies continue to be applied by France to lamb exported from Britain, the arrangements between the French and Irish Governments have been reached without any consultation with the British Government.

On 10 January the British Government sent a memorandum to the Community's Commission, pointing out that the consequence of these arrangements would be heightened discrimination against British exports to France. Stating that this discriminatory step was totally unacceptable, the Government requested that the Commission should take action under the Treaty of Rome (the treaty which established the Community) with a view to bringing this discrimination to an end.

FISHERIES

After two meetings in January, no agreement has been reached by the Council of Ministers on arrangements for Community fishing from 1 February.

Commission proposals for a definitive common fisheries policy (see pp 412-13, 1977) were discussed by the Council at its meeting on 16, 17 and 18 January. In his statement about the meeting, the Minister of Agriculture, Fisheries and Food told the House of Commons on 19 January (*Hansard*, cols 676-86): 'I believe that further progress has been made towards an agreed solution. In particular the Commission have now put forward proposals on quotas which the Government could regard as a basis of discussion if sufficient progress could be made on the crucial issue of preferential access. There was considerable opposition to my demands on this question on the basis that they were contrary to the Treaty of Accession. Nevertheless the Council are now willing to consider whether our demands can be met by means of fishing plans. . . .

'I reiterated that the acceptability of any measures so far proposed will depend not only on the content of the proposals looked at by themselves but also on the nature of the final package when it can be seen as a whole.'

The fisheries question was again discussed by the Council on 30 January. In his House of Commons

[1]The Council is to continue its discussion of these measures during February and March.

statement on 1 February (see above), Mr Silkin said that agreement had been reached authorising the Commission to continue negotiatons with non-member countries on fishing opportunities for 1978. He continued: 'There was less progress in discussions on the internal regime, and none of the major issues were resolved. It was clear early in the meeting that agreement on a definitive common fisheries policy would not be possible, and accordingly attention was focused on the arrangements to apply in the meantime.

'The Council was unable to agree to a United Kingdom proposal that the existing standstill arrangements should be continued for a further short period. For my part, I could not agree to an alternative proposal[1] to adopt, on a provisional basis, the Commission's latest proposals on quotas, conservation and enforcement, which would have left aside the basic issue of coastal preference and other important issues. I maintained the Government's position that the elements of the common fisheries policy need to be considered as a whole and not adopted piecemeal.

'In the absence of agreement, the Community's so-called standstill arrangement lapsed at midnight last night. Other member states declared their intention to observe, for the time being, the Commission's proposal on quotas and conservation. I made clear the Government's intention to take action in accordance with agreed procedures to maintain existing conservation measures. Our right to take further appropriate unilateral conservation measures is, of course, unimpaired.

'I also made clear the Government's intention to continue to work for a settlement which would meet the United Kingdom's essential requirements.'

EXTERNAL AFFAIRS

Mutilateral Trade Negotiations

At its meeting on 17 January, the Council of Ministers agreed that the Community should enter the substantive phase of the multilateral trade negotiations (the Tokyo Round) – which are taking place within the framework of the General Agreement on Tariffs and Trade (GATT) – on the basis of a number of working hypotheses. In a House of Commons written answer on 18 January (*Hansard*, cols 251-2), the Secretary of State for Trade, Mr Edmund Dell, gave details of the Council's approach to the negotiations. Particular stress had been given to the need to ensure that safeguard action can be taken selectively and that common rules are applied on customs valuation and on countervailing; to the Community's export interests; and to agriculture.

The Council had reaffirmed 'the Community's determination to continue to seek differential and favourable treatment for developing countries, and in particular the least developed of them'. The more advanced developing countries would be expected to accept certain reciprocal obligations.

Enlargement

At its meeting on 7 February, the Council of Ministers discussed Greece's application for membership (see p 49) and agreed to make every effort to conclude the negotiations during 1978. Reporting on the meeting to the House of Commons on 8 February (*Hansard*, 8.2.78, written answers, col 599), the Foreign and Commonwealth Secretary stated that detailed negotiations on Greece's accession would begin on 10 February. He added: 'I restated British support for enlargement to 12 and called for more rapid progress in preparation for negotiations with Portugal and Spain' (see p 50, footnote 1).

China

A trade agreement between the Community and the People's Republic of China was initialled on 3 February. The agreement includes the 'most favoured nation' clause, and the undertaking to develop trade and endeavour to achieve balance. There is to be a joint committee to supervise implementation of the agreement, to study possible difficulties, and to propose suitable solutions.

[1]This proposal was endorsed by the eight member countries other than Britain, following their informal discussion in Berlin on 28 January.

Arms Control and Disarmament

There have been two recent developments in the field of arms control and disarmament, in both of which Britain has played a prominent role. In the first, the guidelines which form the basis of their nuclear export policies were formally communicated by each of the 15 members of the Nuclear Suppliers Group (NSG) to the International Atomic Energy Agency (IAEA) in Vienna on 11 January. The second development concerns new proposals on disarmament put forward by Britain in a document intended for discussion at the United Nations Special Session on Disarmament, to be held from 23 May to 28 June.

Publication of NSG Guidelines

The guidelines, which were adopted by the NSG last year but have only now been made public, represent the minimum safeguards operated by NSG members in the sale of nuclear material, and will now be circulated by the IAEA to all member countries.

The NSG is made up of a number of countries with a nuclear exporting industry, which have decided to harmonise their nuclear export policies with a view to ensuring that nuclear exports do not contribute to the proliferation of nuclear explosive devices. The meetings of the group have all been chaired by Britain and held in London. The first meetings took place in 1975, and were attended by representatives of Britain, Canada, France, the Federal Republic of Germany, Japan, the Soviet Union and the United States. The group has subsequently been expanded to include Belgium, Czechoslovakia, the German Democratic Republic, Italy, the Netherlands, Poland, Sweden and Switzerland.

The guidelines cover the transfer of all nuclear technology, plant and materials, including reactors, enrichment and reprocessing plants and enriched uranium. The 15 supplier nations have agreed that

they will export such items only after receiving certain assurances from recipient countries: these countries must agree not to use such material for any nuclear explosive device; they must ensure that it is placed under effective physical protection to prevent unauthorised use and handling; and they must agree to a safeguards agreement allowing IAEA inspection of all imported nuclear material and equipment, or of locally-produced items of the same type. If the material is to be re-exported, the new purchaser must provide the same assurances as those required by the supplier for the original transfer. In the event of a violation of the guidelines, the supplier nations will consult promptly to determine what action should be taken, including the possibility of the termination of nuclear exports to that country. Finally, any changes in the guidelines will require the unanimous consent of all members of the group.

Britain's New Disarmament Initiative

The new ideas on disarmament put forward by Britain are contained in a document supported generally by Western delegations to the United Nations, and co-sponsored by Australia, Belgium, Canada, Denmark, the Federal Republic of Germany, Italy, Japan, the Netherlands and Norway. The document sets out priorities among current disarmament negotiations for the next three to five years and calls for specific new moves.

The proposals are the result of wide consultations with specialists at home and with Britain's partners in the European Community and NATO. The draft was discussed by Western delegations at the opening stages of the preparatory committee for the Special Session which began on 24 January. The next stage will be negotiation in the preparatory committee to produce a draft action programme based on Britain's document and on drafts by non-aligned and Warsaw Pact countries.

The document restates the ultimate objective of general and complete disarmament under strict and effective international control, and the first part outlines the disarmament tasks that are needed immediately. In the nuclear field these include a comprehensive nuclear test ban treaty (see p 420, 1977); a second US-Soviet Strategic Arms Limitation Talks agreement (see footnote, p 421, 1977), followed by further, more far-reaching strategic arms limitation negotiations; and further measures to strengthen and consolidate nuclear non-proliferation. Other items include a convention to outlaw chemical weapons (see p 420, 1977), and early progress on the mutual and balanced force reductions negoitations (MBFR, see p 11).

The next section of the draft calls for steps to increase international security and confidence so as to facilitate more ambitious disarmament measures. One new idea is a plan to apply to other regions of the world the military 'confidence-building' measures contained in the Final Act of the Conference on Security and Co-operation in Europe (see p 305, 1975). It also requests states to publish more information about their armed forces, military budgets and arms production and sales.

The document then turns to ideas for the next generation of disarmament negotiations and calls on the United Nations to initiate studies on various topics, including efforts to limit world military expenditure, and for measures to boost the security role of the United Nations in international peace-keeping.

The Prime Minister's Visit to South Asia

The Prime Minister, Mr James Callaghan, visited Bangladesh from 4 to 6 January, India from 6 to 11 January, and Pakistan from 11 to 13 January. During his extensive talks with Mr Morarji Desai, Prime Minister of India, with President Ziaur Rahman of Bangladesh, and with General Zia-ul-Haq, the President of Pakistan, Mr Callaghan discussed bilateral matters such as trade and aid as well as international issues, including southern Africa. The Prime Minister was also able to see development projects and to meet the populations of towns and villages during his visit to all three countries. An account of the ten-day visit was given by Mr Callaghan in the House of Commons on 16 January.

The Visit to Bangladesh

Reporting to the House of Commons (*Hansard*, 16.1.78, cols 44-62) on his visit to South Asia, Mr Callaghan informed the House that President Ziaur Rahman of Bangladesh had emphasised the importance he attached to good relations with Britain and his wish to work closely with the British Government on all matters. During the talks, the two leaders had discussed a number of specific commercial and aid matters, including an important project for the development of natural gas resources in which British companies might join.

Like the leaders of India and Pakistan, President Ziaur Rahman gave Mr Callaghan his impressions of the state of relations between the three countries, and like them, agreed that these relations were improving. The Prime Minister said that he had spoken with President Ziaur, and later with Mr Desai in Delhi, of the massive benefit that would ensue from bringing the water resources of the Ganges and Brahmaputra rivers under control. On this subject, Mr Callaghan informed the House that he had assured both the Governments of Bangladesh and India that if agreement could be reached among the countries directly concerned, Britain would be glad to provide expert and financial assistance towards a feasibility study of such a project. To carry this out, Mr Callaghan commented, 'would require international collaboration on a gigantic scale to overcome the physical, financial and political problems. It might take twenty years to complete', he concluded, 'but in view of the benefits

it could bring, I hope the Governments concerned can agree to an early study'.

The Visit to India

During his visit to India Mr Callaghan told the House that in addition to the formal talks and extensive private discussions which he had held with Mr Morarji Desai, the Indian Prime Minister, and his Cabinet, he had also met Opposition leaders and many others. One theme that emerged clearly from the visit to India was the closeness of the relationship between India and Britain. Mr Callaghan reported the Indian Prime Minister as having told him that 'Britain and India can never be parted', and he made reference to his address to the Indian Parliament (on 9 January) when he said that he would be happy if his visit to India 'could be the beginning of an attempt to build a new framework of co-operation between India and Britain'.

Mr Callaghan spoke of the full discussion he had had with Mr Desai on both international and bilateral issues. On the question of nuclear problems, the two leaders had considered 'the problem of how to reconcile the need of all countries to benefit from the peaceful development of nuclear energy, with the avoidance of the spread of fissile material that could be used for nuclear weapons'. The Prime Minister referred to India's well-known reservations about acceding to the Nuclear Non-Proliferation Treaty, but stated that Mr Desai had indicated that progress would be possible 'if the present negotiations for a comprehensive test ban treaty now going on between the United States, the Soviet Union and the United Kingdom can be brought to a successful conclusion'. Mr Desai had told the Prime Minister that India looked for agreement by states possessing nuclear weapons to reduce their nuclear arsenals following a successful outcome to the Strategic Arms Limitation Talks (SALT, see p 420, 1977).

The other major international questions discussed by the two leaders were those of southern Africa and the Middle East. Speaking of the former, Mr Callaghan told the House that he had been assured by the Indian Prime Minister of his continued support for the joint Anglo-American initiative designed to bring about a peaceful settlement in Rhodesia based on majority rule (see pp 459-60, 1977).

On the subject of bilateral economic issues, the Prime Minister reported that he had discussed both with Mr Desai and with his ministers the problem of trade imbalance[1] and of certain trade restrictions between the two countries. The Indian ministers, Mr Callaghan continued, had provided him with a list of items of capital equipment such as crawler tractors, fishing trawlers, specialised machine tools, diesel alternators, and refrigerated vans and offshore drilling safety equipment which the Indian Government would be prepared to buy from British firms. The two sides had also discussed possible defence sales and, at Mr Callaghan's request, Mr Desai had undertaken to consider the possibility of *Concorde* being given permission to overfly India on the route to Singapore.

[1]In 1977 Britain's exports to and imports from India totalled £278·1 million and £383·5 million respectively, resulting in a trade deficit of £105·4 million. In 1976 the trade deficit amounted to £146·2 million.

The Visit to Pakistan

In Pakistan the Prime Minister had a full discussion with General Zia-ul-Haq and had several opportunities to meet the leaders of the main political parties. The talks, said Mr Callaghan, covered the main international issues of mutual concern, including the Middle East and nuclear proliferation.

General Zia had assured Mr Callaghan of his firm intention to restore democratic government in Pakistan at the earliest possible date and described the means by which he proposed to do this. 'I have hopes, in the light of what I was told', said the Prime Minister, 'that we shall see a full return to democracy during the course of 1978.'

In their discussion of bilateral economic matters, Mr Callaghan said that General Zia and his advisers had reached a firm decision to set up a tractor assembly plant in conjunction with a British subsidiary of Massey-Ferguson. A number of other commercial projects which might be of interest to British firms investing in Pakistan were also discussed.

When questioned about the possibility of Pakistan's rejoining the Commonwealth, Mr Callaghan announced that he had discussed the matter with General Zia, and had told the President that, speaking as one member of the Commonwealth, 'Britain would want to feel that all political parties in Pakistan wanted to return to the Commonwealth, so that it did not become a matter of party dispute'. The Prime Minister remarked that all the party leaders to whom he had spoken were 'favourably disposed to seeking membership. . . . As far as Britain is concerned', continued Mr Callaghan 'there would be a strong case for re-admission if Pakistan showed clearly that she wished to return.' The Prime Minister concluded: 'It is a reflection on the value of the Commonwealth that a country such as Pakistan should wish to and believe that there is value in returning to the Commonwealth in this way'.

Anglo-Greek Relations

VISIT BY GREEK PRIME MINISTER

The Prime Minister of Greece, Mr Constantine Karamanlis, visited Britain from 25 to 26 January on the first stage of a four-nation tour to discuss details of his country's application for entry to the European Community.

During his stay, Mr Karamanlis had talks with the Prime Minister, Mr James Callaghan, on the question of the Greek application, and later both leaders were joined by the Foreign and Commonwealth Secretary, Dr David Owen, Mr Frank Judd, Minister of State for Foreign and Commonwealth Affairs, and officials of both sides for discussions on other topics, including Cyprus, NATO, and the present general situation in the Aegean.

Mr Callaghan expressed the view that Britain would like to see the Greek application for membership of the Community treated separately from those of the other countries currently seeking entry.[1] He hoped that substantive negotiations on its entry might start after the next meeting of the Community's foreign ministers in February.[2] On Cyprus, the two leaders agreed on the urgent need to find a peaceful and permanent solution that would benefit the island's Greek and Turkish communities. Mr Callaghan said that he regarded it as a step forward that the Turkish Prime Minister, Mr Ecevit, had promised certain proposals of substance regarding the territory and constitution of Cyprus,[3] and he hoped that as a result of these proposals the Greek and Turkish communities on the island would be able to carry their negotiations forward.

Belize

Recent negotiations between Britain and Guatemala concerning the latter's territorial claims on Belize (see p 303, 1977) were the subject of discussions between the Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen, and the Premier of Belize, Mr George Price, in London on 24 January. Mr Ted Rowlands, Minister of State at the Foreign and Commonwealth Office, and the United States Ambassador to Britain, Mr Courtenay, as well as Mr Shoman, the Attorney General of Belize, were also present at the London meeting. Earlier, on 12 January, Mr Rowlands visited the United States for exploratory discussions on the question of Belize with the Secretary of State, Mr Cyrus Vance.

In a statement to the House of Commons on 25 January (*Hansard*, cols 1384-90) Dr Owen explained that 'the Belizean representatives [had] reiterated the position of their Government that negotiations should continue on the basis of the United Nations resolution [see pp 14-16, 1976] and the territorial integrity of Belize'. Dr Owen said that he had 'confirmed that any settlement must be acceptable to the Government and people of Belize'. He stated that 'recent British discussions with the Guatemalans had been exploratory; various proposals including the possibility of territorial adjustments, had been discussed but no agreements had been made or would be made which were not subject to the approval of the people of Belize. The Premier of Belize', he continued, had 'asked that the issue should be put directly to the people of Belize and that the Commonwealth should be associated with the process of consultation'. The British Government had 'readily agreed to both these requests. Both Governments agreed that their aim was early and secure independence for Belize. The British Government', Dr Owen concluded, 'will continue its search for a negotiated settlement, which has not yet been achieved, in discussions with Guatemala and other interested Governments'.

Asked to comment on the possibility of the cession of territory in southern Belize to Guatemala, Dr Owen replied that 'no decision to cede territory would be made without the agreement of the people of Belize'. This assurance had been 'consistently given'. Mr Rowlands, Dr Owen said, 'has consistently and firmly held to that position' in the recent negotiations. 'If this situation were put to the people of Belize', Dr Owen continued, 'and they decided that they did not want any change, the *status quo* would continue. It would remain a Crown colony and Britain would defend the territorial integrity of Belize. The problem we face is that the people of Belize have, for over a decade or more, naturally wanted increasingly to have their independence. We have a problem as to bringing that country to secure and stable independence, with the territorial claims and the associated problems around the boundaries of that country. The issue can either be just left alone or it has to be grappled with.' Dr Owen stated that he believed that the problem 'should be grappled with – with the absolute safeguard that it will be the people of Belize who will decide'.

Answering other questions, Dr Owen emphasised that he had 'made it clear to the House that we are discussing among other things territorial adjustments'. It was 'right that those should be explored. But any territorial adjustment would be put to the people of Belize. As to the form in which it would be put, ... [he would] discuss this with the Government of Belize and ... take account of the views of the people of Belize.' He also pointed out that Britain's 'readiness to discuss this issue and to put it to the people of Belize does not mean any weakening whatever of the British Government's position. If the people of Belize decide that they did not want a territorial adjustment we shall then defend the territorial integrity of Belize as a Crown colony. This is a firm commitment'.[1]

[1]Greece applied to join the European Community in June 1975, and negotiations on accession opened in Brussels on 27 July 1976. Formal applications for membership were submitted by Portugal on 28 March 1977, and by Spain on 28 July 1977.

[2]Detailed negotiations on Greece's accession began on 10 February (see p 47).

[3]The United Nations Secretary-General, Dr Kurt Waldheim, visited Turkey, Cyprus and Greece from 8 to 18 January with the aim of exploring the possibility of restarting the intercommunal talks on Cyprus. During his stay in Turkey he was assured by Mr Ecevit that Turkey would make 'concrete proposals' in regard to the Cyprus question, covering the questions of both the territorial and constitutional aspects. For details of the Cyprus problem, see pp 370-1, 1977.

[1]On 26 January Mr Price was quoted in the British press as saying that he believed that 'partition is not a solution to problems; it creates them. Any settlement with Guatemala', he added, 'based on giving up land just would not work.'

Shorter Notes

INCREASE IN DEFENCE EXPENDITURE

It was announced in the annual Government White Paper on public expenditure (see pp 52-6) that the

defence budget would be increased by 3 per cent in real terms from 1979. This decision follows the agreement reached by NATO defence ministers in May 1977 that each member of the Alliance should aim at an annual increase in defence expenditure of about 3 per cent for the period 1979-84 in order to avoid a continued deterioration in the relative defence capabilities of NATO and the Warsaw Pact. A statement on defence savings for 1978-79 issued by the Ministry of Defence in September 1977 in response to a letter from the Secretary-General of NATO, Dr Joseph Luns (see pp 369-70, 1977), said that Britain would take account of such factors when it came to settle the future levels for its defence budget, and the new figures given in the White Paper reflect these considerations. The White Paper states: 'The provisional Defence Budget figures for 1979-80 and 1980-81 have been revised in the light of the NATO agreement, and they provide for an annual growth of 3 per cent over the revalued Cmnd 6721 [1977 Defence Estimates] figure for 1978-79. The 1980-81 figure will be subject to review in the 1978 survey in the light of our economic circumstances.'

CYPRUS

Mr Spyros Kyprianou was declared President of Cyprus on 26 January. He had been President since August 1977 (see p 341, 1977), and will now hold office for a full five-year term. No election was necessary as there were no other candidates.

ECONOMIC AND SCIENTIFIC AFFAIRS

Public Expenditure Plans

The improvement in Britain's financial situation has enabled the Government to plan for resumed and continuing expansion of many programmes financed by public expenditure. This is stated in the Government's annual White Paper on public expenditure plans published on 12 January.[1] The White Paper confirms the £1,000 million increase in public expenditure for 1978-79 first announced by the Chancellor of the Exchequer in October 1977 (see p 426, 1977). It also estimates that total programmes, including the contingency reserve and net overseas and market borrowing of nationalised industries, will be 2·25 per cent more in 1978-79 than the plans for the current year contained in the 1977 White Paper; 2 per cent more in 1979-80 and 1980-81; and under 1 per cent more in 1981-82 although figures for later years are increasingly provisional. Provision is made for a 3 per cent rise in defence expenditure in each of the two years to 1981 (see pp 50-1). Other points from the White Paper are: an increased contingency reserve, rising from £750 million in 1978-79 to £2,000 million in 1981-82; a steady level of direct public spending on construction of £4,500 million a year; and a planned growth rate for total public expenditure within the expected growth rate of gross domestic product (GDP).

Introduction

The White Paper says that renewed expansion in expenditure plans must be governed by the Government's broad economic objectives of containing inflation, reducing unemployment and promoting industrial efficiency. In addition, the Government now aims at a greater degree of stability in expenditure programmes than has been achieved in recent years so that they will not be subjected to the disruption of sudden cuts. Both for this reason and in order to leave room for manoeuvre on taxation, it is necessary that the planned growth rate for total public expenditure should be within the prospective growth rate of national income and the present plans are constituted to this end.

[1]*The Government's Expenditure Plans 1978-79 to 1981-82. Volume I.* Cmnd 7049-I. HMSO, 70p. ISBN 0 10 170490 9. *Volume II* published simultaneously contains details of the individual programmes together with material on nationalised industries' capital investment and financing, territorial analyses and additional statistics. Cmnd 7049-II. HMSO, £2·35. ISBN 0 10 170491 7.

The Government intends to maintain and develop the procedures of expenditure control, including the new features introduced in recent years such as the system of cash limits (see p 209, 1976) and strict observance of the announced control figure for the contingency reserve, and the arrangements for monitoring expenditure in the course of the year (see p 64, 1977).

Expenditure in 1976-77

At out-turn prices, total public expenditure in 1976-77 was £55,250 million. This was nearly 11 per cent more than the out-turn price figure for 1975-76 but in volume terms (constant prices) the total of programmes excluding debt interest was nearly 3·5 per cent less than in 1975-76. This fall owed much to a reduction in net Government lending to nationalised industries, as the industries borrowed heavily in foreign currency. For total public expenditure including debt interest the fall was somewhat less than in programmes alone, because payments of debt interest increased. In comparison with the White Paper plans for 1976-77 (see p 63, 1977), the out-turn of programmes was about 3·75 per cent less in volume terms, or £2,250 million at 1977 survey prices.

The 1976-77 out-turn figure for Government lending to nationalised industries of £330 million was not only much lower than in the previous year but also well below the 1976-77 provision of £917 million. The aggregate out-turn in 1976-77 in volume terms on all programmes other than the nationalised industries was about 3 per cent below the planning figure. A summary of the changes since the 1977 White Paper is given in Table 1.

Expenditure in 1977-78

Table 2 gives a summary of expenditure plans by spending authorities until 1981-82 together with the 1977 White Paper planning figures for the current year, while Table 3 shows expenditure by main programme for 1976-77 to 1981-82.

The report says that for 1977-78 the volume of expenditure on programmes is now put at about 95·5 per cent of the 1977 White Paper provision for programmes and contingency reserve. In addition, the expected net out-turn of debt interest is significantly below the 1977 figures. A considerable part of the difference of 4·5 per cent between the out-turn for programmes now expected and the earlier plans is attributable to two major items: Government lending to nationalised industries, which is again expected to be substantially lower

Table 1

Changes to Expenditure Programmes Since the 1977 White Paper (Cmnd 6721)

£ million at 1977 Survey prices

	1976-77	1977-78	1978-79	1979-80	1980-81
Defence	—170	—71	+ 12	— 50	+122
Overseas aid and other overseas services	—108	—168	+ 47	— 16	+ 28
Agriculture, fisheries, food and forestry	— 16	+284	+128	+ 84	+ 80
Trade, industry and employment	—432	—715	+ 73	+368	+347
Government lending to nationalised industries	—587	—440	+319	—*	—*
Roads and transport	—273	— 96	+ 66	+ 35	+ 38
Housing	—284	—264	— 23	—279	—146
Other environmental services	—166	— 13	+144	—106	— 73
Law, order and protective services	— 38	— 11	+ 58	+ 46	+ 70
Education and libraries, science and arts	— 76	—127	+ 90	+121	+145
Health and personal social services	— 72	+ 35	+111	+ 89	+207
Social security	— 9	— 54	+494	+723	+930
Other public services	— 33	— 15	+ 2	+ 4	+ 2
Common services	— 43	+ 11	+ 25	+ 12	+ 19
Northern Ireland	— 97	— 8	+ 68	+ 59	+ 61
Totals	—2,404	—1,652	+1,614	+1,090†	+1,830†

*No comparable estimates published in 1977 White Paper.
†Excludes refinancing of home shipbuilding lending and fixed rate export credits, Government lending to nationalised industries and debt interest for which no estimates were published in Cmnd 6721.

Table 2

Public Expenditure Plans

£ million at 1977 Survey prices

	1977-78 as in Cmnd 6721	1978-79	1979-80	1980-81	1981-82
Expenditure on programmes:					
Central Government	39,572	41,655	41,980	42,418	42,570
Local authorities	15,407	15,493	15,719	15,890	15,992
Total general government	54,979	57,148	57,699	58,308	58,562
Certain public corporations*	993	952	1,012	1,002	1,015
Total expenditure on programmes	55,972	58,100	58,711	59,310	59,577
Contingency reserve	750	750	1,500	1,750	2,000
Total	56,722	58,850	60,211	61,060	61,577
Debt interest	2,500	2,000	1,900	1,800	1,600
Total public expenditure	59,222	60,850	62,111	62,860	63,177
Total programmes, contingency reserve and net overseas and market borrowing of nationalised industries	57,267	58,550	59,611	60,860	61,327

Corporations whose capital expenditure is included in public expenditure; mainly the water authorities, the Housing Corporation and the
* new town development corpora tions. These corporations do not include the nationalised industries.

than initially planned, and refinancing of export and shipbuilding credit, which, partly owing to the new arrangements with the banks (see p 23), is expected to show net repayments to the Government this year. Apart from these two items, the out-turn is now estimated at over 97 per cent of the 1977 White Paper plans.

Expenditure Plans 1978-79 and After

Central Government

The main services provided by the central Government (including transfer payments) account for over 70 per cent of total programmes.

About 40 per cent of public expenditure by the

Table 3

Public Expenditure by Programme: 1976-77 to 1981-82

£ million at 1977 Survey prices

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
Defence	6,361	6,255	6,289	6,494	6,660	6,660
Overseas aid and other overseas services	1,188	1,351	1,722	1,860	1,958	1,962
Agriculture, fisheries, food and forestry	1,133	899	706	654	649	642
Trade, industry and employment:						
Refinance of home shipbuilding and fixed rate export credit	636	—174	145	—44	—114	—30
Other	2,542	1,970*	2,798	2,632	2,589	2,547
Government lending to nationalised industries	330	420	1,350	1,550	1,350	1,100
Roads and transport	2,784	2,590	2,563	2,583	2,572	2,554
Housing	4,870	4,475	4,702	4,814	4,948	4,995
Other environmental services	2,682	2,532	2,594	2,626	2,643	2,657
Law, order and protective services	1,895	1,906	1,948	1,947	1,970	1,992
Education and libraries, science and arts	8,293	8,010	8,102	8,143	8,205	8,255
Health and personal social services	7,287	7,390	7,537	7,652	7,776	7,927
Social security	12,717	13,226	14,063	14,172	14,458	14,602
Other public services	848	844	854	865	865	886
Common services	896	883	910	952	986	1,022
Northern Ireland	1,737	1,742	1,815	1,811	1,796	1,808
Total programmes	56,201	54,320	58,100	58,711	59,310	59,577
Contingency reserve	—	—	750	1,500	1,750	2,000
Total	56,201	54,320	58,850	60,211	61,060	61,577
Debt interest	1,662	1,900	2,000	1,900	1,800	1,600
Total	57,863	56,220	60,850	62,111	62,860	63,177
Total programmes, contingency reserve and foreign and market borrowing of nationalised industries	57,635	54,850	58,550	59,611	60,860	61,327

*Net of £559 million for proceeds of sale of shares in the British Petroleum Company.

central Government, excluding debt interest, is on goods and services, the largest elements being defence and the national health service. The remainder consists of transfer payments, including social security benefits, housing subsidies and industrial support, and net lending, which includes loans to nationalised industries.

Nationalised Industries

The fall in the industries' overall net borrowing requirement after 1976-77 marks an improvement in the financial position of most of them. After the deficits caused by price restraint in the early 1970s, most of the industries are now profitable again as a result of the progressive return to economic pricing. They are therefore able to make a substantial contribution to the financing of their own investment which is expected to amount to about £3,500 million in 1977-78 and in 1978-79. It is part of the Government's medium-term expenditure strategy that this improvement in the industries' financial position should be maintained.

Local Authorities

Local authorities undertake more than one-quarter of public expenditure. They are responsible for the greater part of expenditure on education (which accounts for more than half of their current expenditure), on housing (which accounts for a similar proportion of their capital spending), and on other environmental services. They employ more than one in ten of the working population.

The White Paper says that over the past three years, current expenditure by local authorities has had to be held back. A rate of growth which had reached nearly 10 per cent in 1974-75 has been succeeded by an increase of only about half that amount over the whole of the following three-year period. It is no longer necessary, the report continues, for the total volume of current expenditure to be cut in 1978-79. After taking account of demographic factors and of the continuing revenue effects of capital projects, there will be little scope for improvements in the level of service provision, and continued restraint in local authority spending plans will be necessary. However, the rate support grant settlements for 1978-79 provide for some resumption of growth in the total of current expenditure. Similarly, the report says, it is possible to look ahead to a small increase in the capital expenditure of local authorities in 1978-79.

Contingency Reserve and Debt Interest

The planning totals for the years ahead, the report

states, include substantial contingency reserves to cover unforeseen items and items which cannot be properly quantified at this stage.

The estimate for debt interest for 1977-78, based on the new concept introduced by the 1977 White Paper (see p 65, 1977), is £1,900 million compared with the 1976-77 figure of £1,662 million (both at 1977 survey prices). The estimates for 1977-78 and 1978-79 are substantially below those made in the 1977 White Paper, which were £2,500 million and £1,760 million respectively, on a comparable basis. The reductions are due mainly to lower borrowing and interest rates than were assumed when the 1977 estimates were made.

Analysis by Economic Category

The report says that analysis of public expenditure by economic category and spending authority is not expected to change much over the planning period. Current expenditure on goods and services, which now accounts for nearly half the total, continues to rise slowly. Public expenditure on fixed investment increases over the planning period but remains relatively low compared with the years up to 1975-76. Most of it is construction work, and the extra spending on construction announced during 1977 (see p 426, 1977) means that a steady level of direct public spending on construction in the next four years is now planned, at about £4,500 million a year. In addition, Government grants and lending help to finance other construction work, for example, by the nationalised industries and housing associations. If construction expenditure by those bodies is included, the total planned level of public spending on construction rises to some £6,250 million in 1978-79 and continues at a similar level through to 1981-82.

Public Expenditure and Gross Domestic Product

According to the White Paper, in the first half of the 1970s public expenditure continued to grow at much the same rate as in the previous decade, while national disposable income grew very little, partly because of the slow growth in output and partly because of the deterioration in the terms of trade. The ratio of total public expenditure to GDP increased from 38 per cent in 1971-72 to 46 per cent in 1975-76 and fell to 44·5 per cent in 1976-77. The paper says that for certain reasons this ratio is not a totally satisfactory indicator of the importance of the public sector in the economy as a whole and that for some purposes a more useful ratio is that for general government expenditure (central Government and local authorities) on goods and services. This ratio rose from 22·5 per cent of GDP in 1971-72 to 27 per cent in 1975-76 and fell to 26 per cent in 1976-77. On either basis there was a sharp increase up to 1975-76 followed by some fall in 1976-77. On present expenditure plans, the report continues, and on certain assumptions on GDP growth (see below), the ratios for subsequent years would be lower than in 1976-77; but the growth of transfer payments in the total is likely to keep the ratio of total public expenditure to GDP well above that of the early 1970s.

The Economic and Fiscal Context

The White Paper reviews economic events since the oil price increase of late 1973. It says that, since then, the economies of all industrialised countries have been affected by higher levels of unemployment and higher rates of inflation. However, considerable progress was made in 1977 in improving the state of the British economy. The current account of the balance of payments moved into surplus, the rate of inflation decelerated and confidence returned to the financial markets and was reflected both in lower interest rates and in the strength of sterling.

In contrast to the financial indicators, the real economy was sluggish. It became both feasible and desirable to give a stimulus to activity. In October 1977 the Chancellor of the Exchequer announced measures estimated to raise the rate of growth by about 1 per cent in 1978, to 3·5 per cent. He emphasised that attainment of this faster growth rate would depend on an average earnings rise in the current pay round consistent with the Government's guidelines – that is, not more than 10 per cent.

The paper says that the uncertainty over the future rate of inflation poses the major question mark over the medium-term prospects for the economy. A second uncertainty, partly linked with inflation, concerns the growth of productivity and hence of the economy's productive potential. Over the 25 years or so up to the beginning of the recent recession the trend rate of growth of GDP was 2·75 per cent a year. Over the past four years output has been virtually flat and there has been almost no growth in recorded productivity. The report states that there are some grounds for thinking that the large rise in energy prices in 1973 and the low levels of investment in recent years may affect the future growth of productivity. Nevertheless in the light of available evidence it would be imprudent to count on a faster growth of productive potential than 3 per cent a year. The economy, however, has excess capacity which should permit for a period a rate of growth above that of productive potential. It is essential, the White Paper continues, to aim at a rate of growth that can be sustained over a number of years. That rate will be largely determined by developments in three areas – inflation, productivity and the growth of the world economy. Provided inflation is contained and there is some recovery in world trade, the economy should be able to grow at above its past trend rate; but on present prospects a marked improvement in industrial performance would be necessary to sustain a growth rate above 3·5 per cent over the next few years. The aim must be to achieve such an improvement, but it cannot be assumed in advance as a basis for planning public expenditure. With the current degree of unemployment and the bonus of North Sea oil it would be disappointing if a 3·5 per cent growth rate were the limit. It should bring down unemployment, but the reduction would be gradual. Even this rate of growth, however, cannot be taken for granted unless inflation is controlled.

Conclusion

The White Paper says the public expenditure plans should permit a sustained improvement in standards,

while allowing at the same time a substantial growth in personal consumption after four years of no growth. However, this depends on the performance of industry and of the whole economy during the period. There is now, the paper concludes, thanks to North Sea oil and to the adjustments achieved in the past year, an opportunity to move to a higher rate of economic growth than has been achieved for many years. But it is only an opportunity. To make it a reality is the major task now facing Government, management and unions, and the nation as a whole.

International Comparisons of Taxes and Social Security Contributions

Britain ranked ninth (in descending order of magnitude) out of 19 countries within the Organisation for Economic Co-operation and Development in 1975 in an international comparison of taxes and social security contributions as a percentage of gross national product (GNP). In 1970 Britain was ranked fifth.

These facts emerge from an article in the December 1977 issue of *Economic Trends* (HMSO, £1·95. ISBN 0 11 724978 5). The article covers the years 1969-75 and is the latest in a series of articles. Coverage has been extended to include 19 countries, rather than the 13 covered hitherto, and to include taxes on capital.

Figures for some countries were calculated accord-ng to the system of national accounts introduced by the United Nations in 1968 (the 'new SNA'), but many countries were still only able to provide figures on the basis of the previous system (the 'former SNA'). The figures on one basis are not strictly comparable with those on the other, though for most countries many of the figures are little affected by the change in definitions. The figures for Britain are given on both bases. The article gives the main difference between the British ('Blue Book') system and the two UN systems. It points out that differences between countries in their economic and financial structures have an effect on total taxation and the form of taxation. Thus the degree of government involvement in the provision of services, the redistribution of income and the pursuit of other economic policy objectives can affect the figures of relative tax levels.

In 1975 taxes and social security contributions in Britain were equal to 40·8 per cent of GNP at factor cost (see Table 1). For most countries there was a fairly steady increase in the percentage over the period covered. In Britain, however, the 1975 percentage was below the 1969 level although it is now rising again.

Table 1

Taxes, Including Social Security Contributions, as a Percentage of Gross National Product at Factor Cost

Percentages

	1969	1970	1971	1972	1973	1974	1975
Former SNA							
Austria	42·1	42·4	43·5	44·4	44·7	44·8	46·1
Belgium	38·0	38·7	39·5	39·5	40·4	41·7	44·7
Finland	36·1	36·7	38·8	39·4	40·4	39·0	40·5
German Federal Republic	40·0	38·6	39·4	40·0	42·4	42·5	41·9
Greece	28·8	28·3	28·1	27·7	25·9	25·9	27·2
Irish Republic	34·0	35·9	37·5	36·7	37·1	—	—
Japan	20·8	21·6	21·9	22·0	22·7	24·8	22·4
Switzerland	25·0	25·1	24·7	25·3	27·6	28·1	30·1
United Kingdom	42·7	43·4	40·3	38·4	37·2	39·8	40·8
New SNA							
Australia*	28·4	28·8	29·4	28·2	29·7	32·8	34·2
Canada	36·7	37·3	37·3	37·6	37·2	39·7	37·7
Denmark	42·0	48·2	51·4	51·8	52·6	54·2	50·4
France	—	40·7	39·8	40·1	40·6	40·5	41·2
Italy	—	33·4	33·8	33·2	32·8	34·3	34·0
Netherlands	43·1	44·4	46·8	47·9	48·9	50·4	53·1
Norway	45·9	47·8	52·0	54·1	55·4	53·4	54·9
Spain	—	19·1	19·8	20·5	21·1	20·9	—
Sweden	44·5	45·9	49·3	50·5	48·9	49·5	52·2
United Kingdom	42·7	43·4	40·4	38·4	37·2	39·8	40·8
United States	31·1	32·9	32·2	33·3	33·4	34·1	32·5

*Fiscal years beginning on 1 July of year indicated.

Table 2

Sources of Taxes, Including Social Security Contributions, in 1975

As a percentage of total taxes and social security contributions

Percentages

	Taxes on income		Taxes on expenditure	Taxes on capital	Social security contributions	
	Households*	Corporations			Total	*of which* Paid by employers
Former SNA						
Austria	28·7	4·7	43·1	0·2	23·4	—
Belgium	32·7	7·7	28·0	0·8	30·9	20·7
Finland	43·1	4·6	35·8	0·4	16·2	10·4
Federal Republic of Germany	28·0	3·5	34·6	0·1	33·7	21·3
Greece	10·9	4·2	57·0	1·1	26·7	—
Irish Republic	23·5†	5·2†	60·1†	1·6†	9·5†	5·2†
Japan	23·8	21·1	30·1	1·0	24·0	—
Switzerland	38·4	9·5	21·9	1·9	28·3	—
United Kingdom	37·2	5·9	36·9	2·2	17·8	10·6
New SNA						
Australia‡	44·1	12·4	42·0	1·5	—	—
Canada	34·2	14·3	40·0	0·7	10·9	7·2
Denmark	57·9	3·0	36·8	0·4	1·9	—
France	13·8	6·0	38·9	0·8	40·5	29·1
Italy	24·0§	—	30·9	0·2	44·8	—
Netherlands	27·7	7·6	24·8	0·4	39·6	20·1
Norway	34·0§	—	37·4	0·2	28·4	—
Spain	8·4‖	11·2‖	37·6‖	0·8‖	42·0‖	34·0‖
Sweden	46·3	2·7	31·2	0·3	19·5	—
United Kingdom	39·3	6·2	35·8	0·8	17·8	10·6
United States	32·8	10·9	30·7	1·3	24·3	13·2

*Households include unincorporated businesses.
†1973 figures.
‡Fiscal years beginning on 1 July of year indicated.
§Households + corporations.
‖1974 figures.

Tables 2 and 3 show the composition of taxes and social security contributions in 1975, Table 2 as a percentage of total taxes and social security contributions, Table 3 as a percentage of GNP. (The article gives figures for each year of the period.) Since employers' contributions to social security are akin to a tax on expenditure on wages and salaries, so far as the employer is concerned, they are shown separately in the table wherever possible. In most countries there was an increase in the share of total taxes derived from taxes on household income. There was a rise from 32·2 to 39·3 per cent over the period for Britain (new SNA). Between 1969 and 1974 there was more variation between countries in the share of taxes levied on corporate income. However, between 1974 and 1975 almost all countries showed a decline, largely a reflection of adverse trading conditions in the latter period. The share levied on corporate income in Britain fell from 9·8 to 6·2 per cent. There were sharp declines in the percentage of tax revenue raised through taxes on expenditure in almost all the countries covered, between 1969 and 1975. In Britain the share fell from approximately 44 to 36 per cent. The only countries where the proportion rose were Sweden and the United States.

The share of total taxes taken by social security contributions rose in Britain, from 13·2 to 17·8 per cent. It increased steadily throughout the period in all countries except Denmark and Sweden.

Receipts from taxes on capital are relatively small in most countries and changed little over the period. The largest change was in Britain where the proportion of total tax revenue received from death duties and the special charge[1] fell from 2·6 per cent in 1969 to 0·8 per cent in 1975. (However, the 1969 figure was exceptionally high owing to the special charge.)

Other tables in the article show taxes, excluding social security contributions, as a percentage of GNP, subsidies as a percentage of GNP, and taxes on income of households and social security contributions as a percentage of total personal income.

[1]The special charge was an extra levy on the investment income of individuals in excess of £3,000 a year in the financial year 1967-68.

Table 3

Sources of Taxes, Including Social Security Contributions, in 1975

As a percentage of gross national product at factor cost

Percentages

	Taxes on income		Taxes on expenditure	Taxes on capital	Social security contributions	
	Households*	Corporations			Total	*of which* Paid by employers
Former SNA						
Austria	13·2	2·2	19·8	0·1	10·8	—
Belgium	14·6	3·4	12·5	0·3	13·8	9·3
Finland	17·5	1·9	14·5	0·1	6·5	4·2
Federal Republic of Germany	11·7	1·5	14·5	0·1	14·1	8·9
Greece	3·0	1·1	15·5	0·3	7·3	—
Irish Republic	8·7†	1·9†	22·3†	0·6†	3·5†	1·9†
Japan	5·3	4·7	6·7	0·2	5·4	—
Switzerland	11·6	2·9	6·6	0·6	8·5	—
United Kingdom	15·2	2·4	15·0	0·9	7·3	4·3
New SNA						
Australia‡	15·1	4·3	14·4	0·5	—	—
Canada	12·9	5·4	15·1	0·3	4·1	2·7
Denmark	29·2	1·5	18·6	0·2	0·9	—
France	5·7	2·5	16·0	0·3	16·7	12·0
Italy	—	—	10·5	0·1	15·3	—
Netherlands	14·7	4·0	13·2	0·2	21·0	10·7
Norway	—	—	20·5	0·1	15·6	—
Spain	1·8§	2·3§	7·9§	0·2§	8·8§	7·1§
Sweden	24·2	1·4	16·3	0·1	10·2	—
United Kingdom	16·0	2·5	14·6	0·3	7·3	4·3
United States	10·7	3·5	10·0	0·4	7·9	4·3

*Households include unincorporated businesses.
†1973 figures.
‡Fiscal years beginning on 1 July of year indicated.
§1974 figures.

Family Expenditure Survey 1976

Average net household income in Britain rose to £65·69 a week in 1976, a rise of about £6·80 or 11·9 per cent over the previous year. Expenditure on goods and services, at £61·70, rose by about £6·40 or 11·7 per cent. Food continues to account for almost a quarter of total expenditure.

These figures appear in the *Family Expenditure Survey 1976*, published in January 1978.[1] The report is the latest in an annual series covering the expenditure of private households.

There was little alteration in the pattern of household expenditure between 1975 (see pp 476-7, 1976) and 1976. However, comparisons between 1976 and earlier years are complicated by a change in 1976 in the method of calculating the notional amount for rent of owner-occupiers and households living rent-free. The change in this figure has increased the average total expenditure of all households by about £0·75 a week and accounts for around one-third of the £2·05 increase in the cost of housing in cash terms, to £9·21 a week (14·9 per cent of total expenditure). Even when this is taken into account, expenditure on the other main items of food (24·9 per cent) and transport and vehicles (13·2 per cent) as proportions of total expenditure on commodities and services has changed little, although in money terms average household expenditure on food increased by £1·84 to £15·36 during 1976.

A series of tables on the sources of household income shows that, of the average total income, before deductions, of £82·30, the head of the household contributed £59·79, £41·89 of which was wages and salaries. (In calculating the notional rate figure an equivalent amount has been added to

[1]HMSO, £4·50. ISBN 0 11 361089 0.

average household income.) Wages and salaries for all members of the household contributed 73·2 per cent of the total income, the balance including 10·5 per cent social security benefits, 5·3 per cent income from self-employment, 4·2 per cent from sub-letting and the estimated value of rent from owner/rent-free occupancy of dwelling, and 3·1 per cent from investments.

Social security benefits formed a greater proportion of the income of the lower income group and, broadly speaking, earnings formed a greater proportion of the total income among the higher income groups than the lower. The proportion of income from self-employment and from investments varied for households in different ranges of household income, but in both cases was smallest in the lowest income ranges.

Regional Variations

Regional tables show the expenditure of households on various commodities over the two-year period 1975-76. Greater London had the highest average weekly expenditure per household of £66·70 in 1975-76, compared with £53·61 in Yorkshire and Humberside, the lowest. Weekly household expenditure over the two-year period averaged £58·14 in Britain as a whole, compared with £56·92 in Wales, £56·83 in Scotland and £55·75 in Northern Ireland. On housing, Greater London households again spent the most and those in Northern Ireland the least. Households in Greater London spent the most on meals out and on durable household goods, in Scotland on tobacco, and in Scotland, Greater London and the north of England on alcohol. Households in Northern Ireland spent the most on food and clothing and footwear.

An analysis of expenditure in administrative areas by type in 1976 shows that the largest amount spent on fuel and transport and vehicles occurred in non-metropolitan districts of low-population density. Expenditure on housing, food, alcoholic drink, clothing, durable goods, and services was highest in Greater London, and on tobacco in metropolitan districts of England and the Central Clydeside conurbation.

Household Goods

The general pattern of households with certain durable household goods was little changed over 1975 although the percentages with these goods were again a little higher, except for cars. The largest increase was in the proportion of households with a refrigerator or deep-freeze, up by 2·8 per cent to 88·1 per cent compared with 1975 (65·6 per cent in 1970). The proportion of households with a car fell from 57 per cent in 1975 to 55·2 per cent in 1976 (51·6 per cent in 1970), including 10·7 per cent with two or more cars; 72·3 per cent had a washing machine (64·9 per cent in 1970), 95·6 per cent television (91·4 per cent in 1970), 52·6 per cent a telephone (35 per cent in 1970), and 47·1 per cent central heating (29·6 per cent in 1970).

The Survey

The report is based on an effective sample of about 10,400 households in Britain, 70 per cent of which provided information. The survey is carried out by the Social Survey Division of the Office of Population Censuses and Surveys in Great Britain and by the Statistics and Economics Unit of the Department of Finance in Northern Ireland, on behalf of the Department of Employment. Although the survey was originally concerned mainly with the expenditure of private households, much additional information is collected about the characteristics of each co-operating household and the income of its members. It has, as a result, become a multi-purpose survey and provides much important economic and social data. Thus in the current survey it was found that 37 per cent of survey households had a married woman at work, 33 per cent a married woman not working, and 30 per cent no married woman. Of households with working married women, 48 per cent had no children.

The Industrial Strategy: Progress Review

At a meeting of the National Economic Development Council (NEDC) on 1 February, the Chancellor of the Exchequer, Mr Denis Healey, and the Secretary of State for Industry, Mr Eric Varley, presented a memorandum[1] which was the Government's response to the reports of the sector working parties on the first two years of the industrial strategy. This reviewed the objectives of the industrial strategy and the progress which had been made towards achieving them, and considered the programme's future development. In estimating economic growth prospects, the paper suggested that a substantial improvement in Britain's industrial performance could lead to a growth rate above 3·5 per cent over the next few years, with beneficial effects for unemployment.

The most recent previous review of the industrial strategy programme was carried out at conferences in the summer of 1977 (see pp 309-10, 1977). The second stage of the programme, in which the working parties were asked to propose ambitious but realistic plans for improving their sectors' share of the home and overseas market, was completed by the end of the year. An analysis of the sector reports,[2] drawing out common themes and recommendations from the various individual reports, has been prepared by the chairman of the Industrial Strategy Staff Group and was also on the NEDC agenda on 1 February.

Memorandum

In dealing with economic prospects, the memorandum considered that it should be possible for the economy to grow by about 3·5 per cent over the next few

[1] *Industrial Strategy*. Obtainable from National Economic Development Office, Millbank, London SW1P 4QX.

[2] *Industrial Strategy: Analysis of Sector Reports*. Obtainable from the above address.

years, given an annual growth in world trade of around 8 per cent, a level of pay settlements in future rounds well within single figures and a small improvement in industrial performance. A substantial improvement in industrial performance, however, would make possible a growth rate above 3·5 per cent and would bring down unemployment that much faster. It was the task of the industrial strategy, according to Mr Healey and Mr Varley, to bring about such an improvement. Over the past four years there had been virtually no growth in productivity. To a large extent this was cyclical and associated with the low levels of demand and so would be made good as output recovered; but there were some grounds for thinking that the increase in energy prices in 1973 and the low levels of investment in recent years might have reduced the underlying growth of productivity. An increase in domestic demand would have to be accompanied by a substantially higher level of new investment and an effort to use existing productive resources more efficiently.

When it assessed the implications of the sector working parties' reports, the memorandum pointed out that although the direct impact of the strategy on employment in the sectors concerned in this stage might be quite limited, the indirect effect could be very substantial if the working parties' objectives were achieved. The improvement in the balance of payments through better trading performance should allow the Government to reflate the economy more rapidly and thereby to raise employment in the economy as a whole. About half the working parties had quantified their objectives for exports and imports, and these implied an improvement in the trade balance for their particular industries of about £2,500 million (at 1977 prices) between 1975 and 1980.

Government Action

The memorandum outlined the action the Government had already taken in response to recommendations in the earlier sector reports. This included changes in fiscal policy to increase incentives and improve differentials; the provision of further funds through the Selective Investment Scheme, the Product and Process Development Scheme and several special industrial schemes (for which applications had been running at an encouragingly high level); measures to help small firms; improvement of Export Credits Guarantee Department facilities; and improved Government training facilities. The Government had also reviewed its wider policies to see if they should be amended to take account of industrial policies.

In addition, the Government was prepared to add significantly to the resources available to help the sector working parties. Through the Selective Investment Scheme (see pp 123 and 310, 1977), assistance of £25 million had already been approved for investment projects and it was anticipated that these should lead to the creation of 2,500 permanent jobs and the safeguarding of a further 4,700, as well as to employment through the substantial orders for the construction and plant equipment industries. The scheme was also expected to lead to an annual benefit to the balance of payments of £150 million from 1982. About 25 per cent of the investment projects would remove potential obstructions to vital supplies for British industry. Because of the number of applications for investment aid, it was likely that the £100 million originally allocated would be insufficient to meet investment needs, and consequently the Government had decided to provide a further substantial allocation. [A separate announcement of a sum of £25 million was made by Mr Varley on 1 February.] Substantial funds were also to be allocated to a growth sector – micro-electronics in the semi-conductor area and microprocessors – in recognition of the resounding success of the special schemes for a number of other industries.

[A more detailed account of action taken by the Government and related institutions since the last reports is given in the Annex to the memorandum.]

Future Work of Sector Working Parties

The primary job of the working parties until now had been analytical, the memorandum went on. Many had identified the improvement of productivity as the key to increasing their sector's competitiveness, but even after identifying what needed to be done, the working parties would have to persuade individual companies within their sectors to adopt these strategies in pursuit of sectoral improvement. This could to some extent be done through trade associations and trade unions. Visits by experts could in some cases be arranged. The Government was making available an additional £250,000 on the National Economic Development Office budget to cover these and other means of communication. Detailed discussions could also be held between individual firms and their sponsoring departments.

British Leyland

REORGANISATION PLANS

Plans for restoring the competitiveness and profitability of British Leyland's volume production cars were presented to management and employee representatives by the company's chairman, Mr Michael Edwardes, at Birmingham on 1 February.[1] The plans, which will be submitted to the Government and the National Enterprise Board for approval, have been supported both by the company's workforce and by its distributors and dealers. In a speech to the Birmingham Chamber of Commerce two days before Mr Edwardes' announcement, the Prime Minister, Mr James Callaghan, indicated his support for Mr Edwardes and added that it was now up to British Leyland 'from top to bottom, management and workers' to justify the country's faith in it.

[1]See article in *Trade and Industry*, 10.2.78, and pp 236-7, 1977.

In his speech, Mr Edwardes emphasised that neither the present Government, nor any other, was prepared to supply capital for investment if the company was to make no contribution from its own performance; moreover, security of employment for the majority of people in Leyland Cars depended on a healthy business. The recent decline in the company's world-wide market shares rendered a reduction in the total workforce essential for the survival of the business.

Cars

Mr Edwardes said that the reputation of the company's *marque* names could be re-established and that he intended that they should form the basis of a new cars structure. A new company, BL Cars Ltd, would be formed as an umbrella organisation which would own the assets and be the employing company for car operations. Mr Edwardes added that this decision resulted from strong and logical representations by employees for the need to retain a central unit as a focus for employee relations policies. Under BL Cars Ltd, three subsidiary companies would be created: Austin Morris Ltd – to have responsibility for the volume range; Jaguar Rover Triumph Ltd – to cover the specialist car ranges; and BL Components Ltd – to assume responsibility for parts, the foundry, SU/Butec products (motor components) and body operations. An overall model strategy for BL Cars Ltd was necessary, and the functions of long-term product planning and advanced engineering for projects between five and 15 years ahead would be central activities.

Engine and transmission plants supplying the car plants would also be part of the new company while a separate subsidiary, Land-Rover Ltd, would be established to develop Leyland's four-wheel drive business to meet world-wide demand. Austin Morris and Jaguar Rover Triumph would also have responsibility for export sales, as would BL Components for its parts and SU/Butec divisions – which were already profitable and self-sufficient, and major suppliers both to British Leyland and other manufacturers. In order not to distract Austin Morris and Jaguar Rover Triumph from their prime objective of increasing and maintaining production of cars of the right quality, activities not directly concerned with the day-to-day business of making and selling cars would be handled elsewhere in the organisation. The management of BL Cars would be strengthened very considerably and would be given the task of moving step by step towards the creation of the three companies over the remainder of 1978.

Mr Edwardes' board was planning to revitalise the volume car range. Production of the Mini would continue, but a new small car – more than a Mini in both size and performance – would be introduced to be made alongside it at Longbridge as soon as possible. In addition, a substantial crash programme was needed for updating existing middle-range models while a completely new car in this range was introduced at Cowley. At Jaguar Rover Triumph, action was now required to build on the Jaguar standards of performance, refinement, ride and handling, and new models were planned to continue this *marque*'s outstanding success. In view of the fact that these product plans, and others in the longer term, would involve the spending of several hundred million pounds – virtually all of which was to be spent in Britain over the next four or five years – they would have to have the unqualified support of the workforce when submitted to the National Enterprise Board (NEB) and the Government for approval. Mr Edwardes believed that the company could persuade the Government that Leyland's interests would be better served by approving a structured investment programme, with safeguards and undertakings, that would enable it to plan confidently.

Trucks and Buses

In the new structure the truck and bus group would become Leyland Vehicles Ltd, which would have overall responsibility for design, manufacture and sales of trucks and buses and would take over all its own export sales as soon as was practicable.

Special Products

The profitable special products group would become SP Industries Ltd. The diverse activities of this group were currently organised under separate companies that already had strong, independent identities, such as Prestcold (refrigeration), Coventry-Climax (fork-lift trucks), Alvis (military vehicles) and Aveling-Barford (road rollers).

Leyland International

Leyland International, which would become BL International Ltd, would continue to control a number of the highly complex and widespread manufacturing facilities overseas. A review of overseas operations in both sales and manufacturing was continuing and the company would not hesitate to take drastic action to move out of markets or close factories where losses were being incurred.

Manning

Mr Edwardes said that even at current levels of productivity the company was overmanned and even if these were to remain unchanged, as well as its current market share and future share based on the most optimistic estimates, it needed to reduce its workforce by at least 12,500. This would be tackled by natural wastage, redundancy programmes, plant closures, or by some combination of these.

Conclusion

British Leyland had a major place in the British industrial scene, Mr Edwardes affirmed. It had been the top exporting British company in nine of the last ten years and its import bill was insignificant compared with its overseas earnings. Taking into account the wage-earners in supplier industries and among distributors and dealers that depended on the company, not just for pay packets but also for investment and future security, there were anything up to one million people, men, women and children, whose future depended on British Leyland. 'The only chance we have of remaining in business is to achieve the following objectives: have the support of everyone in the company; build to schedule; improve quality; justify Government financial support; and get customers back into [British Leyland] showrooms.'

NEB CHAIRMAN'S STATEMENT

On 6 February the chairman of the NEB, Sir Leslie Murphy, said that he was very optimistic about British Leyland's future. 'A very determined effort was being made to make it successful', he added. The NEB expected to receive the company's corporate plans for the next four- or five-year period in about the middle of February.

Company Profit-sharing Schemes

Possible taxation changes to encourage the creation of schemes for profit-sharing in private industry have been proposed in a consultative document[1] published by the Inland Revenue on 2 February. The document gives details of three methods, representing a range of possibilities by which employees could share in the profits of the companies in which they work by acquiring shares in them. All three methods set a limit to the value of the shares which could be acquired by any participant and seek to ensure that the benefit of profit-sharing schemes is spread as widely as possible and not limited to directors and senior employees. Mr Joel Barnett, Chief Secretary to the Treasury, has announced[2] that it is the Government's intention to include provisions to encourage profit-sharing in the Finance Bill 1978.

Profit-sharing and the Encouragement of Share Ownership by Employees

The document, which is intended to facilitate consultation with interested parties, says that in its simplest terms a profit-sharing scheme is one under which the employees of a firm receive, in addition to their ordinary wages, an annual cash bonus, the size of which depends on the firm's profits and which is taxed for the employee in the same way as wages. Where the employer is a company and wishes to encourage the holding by employees of shares in the company, it may establish an arrangement under which the net annual bonus after tax, instead of being paid in cash, is used to purchase shares for the employees. Alternatively, a company may encourage ownership of its shares by employees through an incentive scheme under which they may purchase shares on favourable terms, often with a loan arranged by the employer. Thus, the document continues, although profit-sharing and the encouragement of ownership of shares in the employing company may be combined, profit-sharing is not a necessary part of the encouragement of share ownership any more than the encouragement of share ownership is a necessary part of profit-sharing. Relief from tax is not essential for either profit-sharing schemes or for the schemes to encourage the wider ownership of shares. Both types of scheme (separately and in combination) exist at present without such relief.

The document goes on to describe the tax treatment under the existing law and outlines three possible changes in the law which would alter the tax regime so as to give greater encouragement to share ownership, two of them through profit-sharing. Although the three methods vary in methodology and means of administration, they all set a limit to the value of shares which could be acquired by a single employee and so ensure that schemes could not be used to provide substantial tax benefits to higher-paid employees.

The three methods are offered as a basis for consultation and represent a range of possibilities. While recognising that any relief given to employees under profit-sharing arrangements represents some distortion of the tax system in favour of those employed in the corporate sector, the Government does not consider that it would be reasonable to allow relief for profit-sharing unrelated to share ownership which would be tantamount to payment of wages free of tax.

Profit-sharing and Share Incentive Schemes Under the Present Law

Under a typical profit-sharing scheme the employee is allocated a special bonus related to the profitability of the company; this bonus is taxed, the paper says, as an emolument in the normal way, and the net amount remaining is either given to the employee in cash or is applied in acquiring shares in the employing company. Under a typical share incentive scheme employees are enabled to purchase such shares either from their own resources or, more commonly, with the aid of a loan arranged by the employer. Under either scheme the shares the employee acquires may be subject to restrictions (for example, relating to their transferability and/or to their voting and dividend rights), and these restrictions will normally reduce the market value of the shares below that of shares of the same class without such restrictions. In addition, under either scheme the employee may be enabled to acquire the shares at a discount below the market value (that is, the value taking account of any restrictions).

The document describes the tax consequences of transactions of this kind under the existing law as follows. Where shares of any class which are acquired by an employee or director are subject to restrictions not applying to all shares of that class, the employee or director is liable (under the Finance Act 1972) to income tax on the growth in value of the shares from the date of acquisition, either to the time of the disposal of the shares, or when they become unrestricted, or, at the latest, until seven years after acquisition. The growth in value is treated as an emolument earned for the year in which the liability arises. If shares are acquired at a discount, the discount is chargeable to income tax as an emolument at the time the shares are acquired. Any amount charged to income tax as growth in value is taken into account in computing the gain or loss for the purposes of capital gains tax when the shares are sold. Under the Finance Act 1976 (see p 206, 1976), where a director or higher-paid employee receives a loan on favourable terms (for example, to

[1] Available from Inland Revenue, Somerset House, Strand, London WC2R 1LB.

[2] *Hansard*, 2.2.78, written answers, cols 326-7.

purchase shares), he will from 6 April 1978 be liable to tax by reference to the amount of interest foregone on the loan.

Possible Methods of Tax Relief

The paper goes on to describe three possible methods of tax relief: a profit-sharing method; a share incentive method; and an alternative profit-sharing method. Annex II of the paper gives examples showing how each of the methods works out.

A Profit-sharing Method (Method I)

One possible method would be a profit-sharing arrangement under which a part of the company's profits would be allocated to the scheme, out of which cash bonuses would be provided for employees on condition that, after tax had been deducted from the bonus under the Pay-As-You-Earn (PAYE) system, the net amount was used to acquire shares in the company. The shares would be subject to a restriction that they could not (except where the employee died or lost his job by reason of injury, disability or dismissal for redundancy) be sold for a period of at least five years. The market value of the shares would be reduced on account of this and any other restrictions, but, for the purpose of this method, any reduction in value due to restrictions which was greater than 30 per cent would be ignored in determining the price at which the employee could acquire shares. In addition, the employee could be given a discount on the price of up to 10 per cent. This would have the effect that the minimum price at which an employee could acquire shares would be 63 per cent of the unrestricted market value. The employee would be free from income tax on their growth in value and on the discount, if any, allowed on acquisition. When the shares were disposed of, the cost for the purpose of capital gains tax would be the unrestricted market value of the shares at the date of acquisition. In order that the acquisition of shares by employees should benefit from this relief from tax, the scheme would have to meet certain conditions, which are outlined in Annex I of the document.

A Share Incentive Method (Method II)

Another possible method, a share incentive arrangement, would be one under which an employee would be able to acquire shares on favourable terms (as in Method I).

An incentive arrangement involves the employee having to find the money for the acquisition price of the shares himself. Either he will have to pay for the shares out of his own resources at the start, or he will have to be lent the money, possibly under arrangements made by the company, and repay the loan either out of future earnings or when he ultimately sells the shares. Under a profit-sharing arrangement, on the other hand, employees are not required to find money out of their own resources.

An Alternative Profit-sharing Method (Method III)

A third possibility would be an alternative form of profit-sharing arrangement whereby a company would be permitted to make an allocation each year for profit-sharing. This would be used to buy shares at full value. The shares would be apportioned between all employees in the company who were within the scheme, but the shares would be retained by a trust established for this purpose. The amount apportioned to each employee would not attract any Schedule E[1] liability at this stage.

It would not, as a general rule, be possible for the employee to sell the shares within a period of five years, but there would be exceptions – for example, in the case of death or redundancy.

When the employee came to sell the shares after the five-year period the sale proceeds would be divided for tax purposes into two parts. There would be a charge to income tax – tapered according to how long he had held the shares – on the sale proceeds to the extent that they did not exceed the original acquisition cost. The tapered charge might be as follows:

Period held	*Percentage of proceeds (or acquisition cost whichever is smaller) charged to income tax*
5-10 years	50 per cent
Over 10 years	25 per cent

Any excess of the proceeds over the acquisition cost would be subject to capital gains tax.

Under this method, any dividends on the shares would go to the employee himself as they arose and would be liable to income tax in the normal way. The voting rights attached to the shares could be exercisable by the employee.

Pay Policy Sanctions

The Secretary of State for Prices and Consumer Protection has said that, measured year on year by the retail price index, inflation is now running in single figures; the rate of inflation is falling and will continue to fall fast. The Government is to add explicit clauses to all new Government contracts and to future offers of industrial assistance to ensure that the pay guidelines of 10 per cent (see p 304, 1977) are rigidly maintained.

The results of the Government's counter-inflation policy and the clarification of its views on sanctions against companies breaking the pay guidelines were spelt out in a debate in the House of Commons on 7 February on the Government's discretionary powers under the pay policy (*Hansard*, cols 1247-377). The Government secured a majority of 14 for its continued use of sanctions against companies in breach of the guidelines.

The Secretary of State for Prices and Consumer Protection, Mr Roy Hattersley, said that two charges had been made against the Government: first, that it had used its powers to place contracts and to purchase goods and services and to provide and withhold discretionary financial assistance in support of the counter-inflation policy; and second,

[1]Income tax is levied under six different schedules. Schedule E refers to tax levied on income from offices, employments or pensions.

that the use of these powers was not justified by law, that they had been applied 'furtively or even secretively', that they had been used capriciously, and that the companies to which they had been applied had not been told or given opportunities for complaint or appeal. The first allegation was, he said, correct, and the Government would continue to use its power in this way 'whenever the law and constitutional propriety permit'. What had been done was described in the White Paper, *The Attack on Inflation after 31 July 1977*, Cmnd 6882 (see pp 304-8, 1977), paragraph 16 of which said: 'Where a firm has reached a settlement which is quite clearly inconsistent with the policies set out in this White Paper, the Government will take this into account in public purchasing policy and the placing of contracts, and also in the consideration of industrial assistance'. It remained the Government's policy, Mr Hattersley said, to do what it could to encourage and induce companies to make wage settlements within the guidelines set out in that White Paper (Cmnd 6882, see pp 304-8, 1977). The second allegation he rejected totally. The placing of contracts for goods and services is in law, he said, a matter which is simple and unambiguous. Mr Hattersley quoted from the Attorney General's statement in the Court of Appeal on 6 February when he said that the Government would place its contracts 'in a manner which will best serve the national interest and hence take into account ... the White Paper guidelines for the purpose of controlling inflation'. Moreover, 'it is not now and never has been the policy of the Government that it should take any action with the intention or consequence of causing a breach of contractual or other obligations'. However, the Government wished both these points to be clear beyond doubt, Mr Hattersley continued, and for this reason 'we propose to add explicit clauses [summarised below] to all new Government contracts. The acceptance of those clauses, necessary for the acceptance of the contracts, will mean that the contracting parties agree to observe the pay guidelines set out in the current White Paper.' Similar provisions would in future be included in offers of industrial assistance. The Director General of the Confederation of British Industry (CBI) and the Trades Union Congress (TUC) had been informed. Mr Hattersley said that the inclusion of these clauses in Government contracts considerably extended the application of its policy.

Moving to the allegation that the withholding of discretionary assistance was in some ways unlawful, the Secretary of State said he wanted to make it absolutely clear that legal advice was firm and absolute. By its nature and by definition, discretionary assistance allowed the Government to use their discretion either to provide or withhold assistance. Assistance was offered according to the general judgments that the Government made about the national good and the general economic well-being. 'It is reasonable and right, and right under the law, that in making that judgment the general interests weighed by the Government should include their opinions on how the fight against inflation will best be encouraged to prosper.'

This lawful policy was not being conducted 'furtively or secretively', Mr Hattersley continued; it had been outlined in the 1977 White Paper and companies had invariably been warned and told of possible sanctions against them. The Secretary of State then spoke of the so-called 'black list' of company names (companies liable to sanctions because of non-compliance with the pay policy guidelines) and explained that it had been the practice hitherto not to name companies at the time that any action was contemplated or taken because of the damage which could be done to the interests of the companies themselves. The Government now proposed to begin discussions immediately with chambers of commerce, the CBI and other employers' organisations. If in their judgment the interests of affected companies would not be harmed by publication of their names when action was taken against them, then the Government was prepared to publish those names.

Government Position

At the outset of his speech, Mr Hattersley had said that the great success in reducing inflation, which had ensured that there would be a real increase in the standard of living, was in no small measure, perhaps largely, the result of a policy of wage limitation. The Government was 'absolutely determined' that the stabilised price level, on which prosperity and expansion could be built, would be achieved and maintained. Summing up for the Government, the Chief Secretary to the Treasury, Mr Joel Barnett, said that the Government had an overriding duty and responsibility to use its legal powers, its discretionary powers, in the national interest, and that there was no greater national interest than to bring down the rate of inflation. He said it would be an absurdity to give a purchasing contract to a firm which was deliberately seeking to increase the rate of inflation. The same applied to employment subsidies, assistance under the Industry Act and export credit assistance.

Opposition View

Mr Nigel Lawson, leading for the Opposition in the debate, said he did not think that the Government's measures to clarify the situation succeeded. He said that the Opposition wholly disapproved of the attempt to enforce contractual terms of the kind proposed on Government purchasing policy. 'If the Government feel that they need a compulsory pay policy, let them come before Parliament openly and ask for the statutory powers to enforce that compulsion and to back it.'

Liberal Party Views

For the Liberals, Mr Richard Wainwright called for an independent body to determine the facts and assess claims on pay and price fronts. He thought both the principle of confidentiality and the penalties were proper but criticised what his party saw as the 'lack of adequate policing and the lack of independent judging'.

New Contract Clauses

The clauses define 'incomes policy' as any guidance in respect of remuneration set out in White Papers and having effect after July 1975, more particularly the 12-month rule and the 10 per cent earnings guidelines set out in the 1977 White Paper.

Any question as to whether any settlement com-

plies or fails to comply with the incomes policy is to be a matter for the decision of the Secretary of State for Employment. The policy does not require any person to infringe the fair wages resolution or any obligation arising under statutes binding him. Contractors and sub-contractors will have to undertake that they have complied with the policy since 1 August 1977 and that they will continue to do so. (A sub-contractor is defined for the purposes of the contract as one whose work under the contract amounts to £5,000 or more.) Contractors will have to report within one month any settlements signed after the contract and provide a certificate giving full details. When it appears that a settlement fails to comply with the guidelines it may be referred to the Secretary of State for Employment, when the contractor will be notified. The reference may be withdrawn by the Purchasing Department at any stage. At any time within a period of two months after a question has been referred to the Secretary of State, he may (provided that the reference has not been withdrawn), after giving the contractor or any sub-contractor involved an opportunity of making representations to him, or conferring with him, give a certificate that, in his opinion, the settlement fails to comply with the incomes policy. The reference shall be deemed to have been withdrawn if no such certificate is issued within the two months. Any decision of the Secretary of State given in a certificate is to be final and conclusive.

Industrial Relations

Britain's strike record was better than that of several other major industrial countries over the period 1967-76, and especially in the year 1976. Although Britain's figures for 1977 showed a considerable increase over 1976, they were still lower than those for other recent years. This information is given in a number of articles on industrial disputes in Britain published by the Department of Employment.

STRIKES IN 1977

The number of working days lost through strikes in Britain in 1977, although higher than in 1975 and 1976, was considerably lower than the figures for 1971, 1972 and 1974.

This emerges from provisional figures for 1977 published in the January 1978 issue of the *Department of Employment Gazette* (HMSO, £1·25. ISBN 0 11 724533 X). Stoppages in progress in 1977 resulted in the loss of approximately 9,985,000 working days during the year at establishments where the disputes occurred, a figure which may be compared with figures of 13,551,000 in 1971, 23,909,000 in 1972 and 14,750,000 in 1974. (The figure for 1976 was exceptionally low at 3,284,000.) The provisional total of 2,627 stoppages beginning in 1977 was marginally lower than the annual average of 2,633 over the previous ten years.

STRIKES IN 1974-75

In the same issue of the *Gazette* the results are published of research by the Department of Employment which show that during the years 1974 and 1975 an average of 97·7 per cent of all manufacturing establishments in Great Britain (England, Wales and Scotland),[1] employing 77·1 per cent of all manufacturing employees, were unaffected by strikes (see Table 1). This research updates the department's earlier analysis of strikes during the years 1971-73 (see pp 115-16, 1976 and 26-7, 1977), when it found that 98 per cent of manufacturing plants were free from strikes in any one of these three years. Thus the finding that in an average year the proportion of plants in manufacturing industry experiencing strikes is close to 2 per cent remains true for this later period.

Table 1 also shows the relationship between strike activity and plant size – that is, that strikes are more frequent the larger the plant – but that the proportion of manufacturing employees working in the stoppage-free plants in the years 1974 and 1975 remained above 75 per cent, although the percentages are somewhat lower than those observed for the period 1971-73.

This updated analysis therefore confirms the previous finding that Great Britain does not suffer from a problem of widespread industrial stoppages in the manufacturing sector, but rather from a concentration of stoppages in a relatively small number of establishments.

INTERNATIONAL COMPARISONS 1967-76

Table 2 and the diagram on p 67 (based on information supplied by the International Labour Office and published in the December 1977 issue of the *Department of Employment Gazette*, HMSO, £1·20. ISBN 0 11 724494 5) show that days lost through strikes in Britain in 1976 continued the trend of improvement relative to other countries shown in 1975 (see pp 66-8, 1977). The diagram shows the number of days lost per 1,000 people employed in 18 countries, including Britain, over the past ten years, while Table 2 shows more detailed figures. In most cases the figures relate to mining, manufacturing, construction and transport industries only; information covering all industries is not available. As the definitions used for these statistics vary from country to country, significance should not be attached to relatively small differences in the figures.

The 1976 Figures

In 1976 only four of the 16 countries for which figures are available (Canada, Japan, Sweden and Britain) lost fewer days per 1,000 people employed than in 1975. In 1976 nine of these same 16 countries lost more days per 1,000 people employed than in Britain, while the remainder lost less.

Five- and Ten-Year Averages

In all but five of the 18 countries listed in Table 2, the strike record in the second five-year period

[1]The Department of Employment's responsibilities extend only to Great Britain. The record of industrial stoppages and consequent working days lost in Northern Ireland compares favourably with that in the rest of Britain (see p 41).

(1972-76, or 1972-75 in the case of Belgium and India, for which 1976 figures were not available) was worse than in the first (1967-71). Those countries which have on average lost more days per 1,000 people employed than Britain in both the five-year periods are Australia, Canada, Finland, India, Italy and the United States. The countries with better records than Britain in both periods include Belgium, France, the Federal Republic of Germany, Japan, the Netherlands and Sweden. (The statistics for Sweden before 1972 are not truly comparable with those for subsequent years, as only since 1972 have separate figures been available for the industry groups to which the table and diagram relate.)

Table 1

Industrial Disputes: Days Lost per 1,000 People Employed, in 18 Countries

	1967	1971	1973	1975	1976†	Average for 5 years 1967-1971	5 years 1972-1976	10 years 1967-1976
Australia*	320	1,300	1,080	1,390	1,490	796	1,502	1,131
Belgium	90	720	520	340	(*a*)	394	348(*c*)	373(*c*)
Canada	1,200	800	1,660	2,750‡	2,270	1,682	2,130	1,906
Denmark§	20	30	4,440	190	390	64	1,078	571
Federal Republic of Germany	30	340	40	10	40	80	32	56
Finland	410	3,300	2,530‡	310‡	1,310	886	1,028	957
France	430	440	330	390	420	313(*b*)	338	327(*b*)
India	1,270	1,100	1,330	1,430	(*a*)	1,346	1,635(*c*)	1,419(*c*)
Irish Republic	520	670	410‡	810	840	952	782	867
Italy	580	1,060	2,470‡	1,640	2,200	1,692	1,956	1,824
Japan	100	310	210	390‡	150	194	294	244
Netherlands	—	50	330	—	10	42	82	62
New Zealand	320	350	530	390‡	940	350	504	427
Norway	10	10	10	10	60	20	114	67
Sweden‖	—	240	10	20	10	62	16	39
Switzerland	—	10	—	—	20	—	—	—
United Kingdom	220	1,190	570	540	300	608	968	788
United States¶	1,430	1,600	750	990	1,190	1,644	1,054	1,349

*Including electricity and gas, excluding communication.
†Preliminary figures.
‡Revised figures.
§Manufacturing only.
‖ All industries included until 1971.
¶ Figures cover also electricity, gas and sanitary services.

(*a*) Figures not available.
(*b*) 1968 figure unavailable and not included in averages.
(*c*) 1976 figure unavailable and not included in averages.
Note: Where no figure is given the number of days lost per 1,000 employed is less than five.

Table 2

Proportion of Establishments and of Employment in Establishments That Were Not Affected by Stoppages: Great Britain

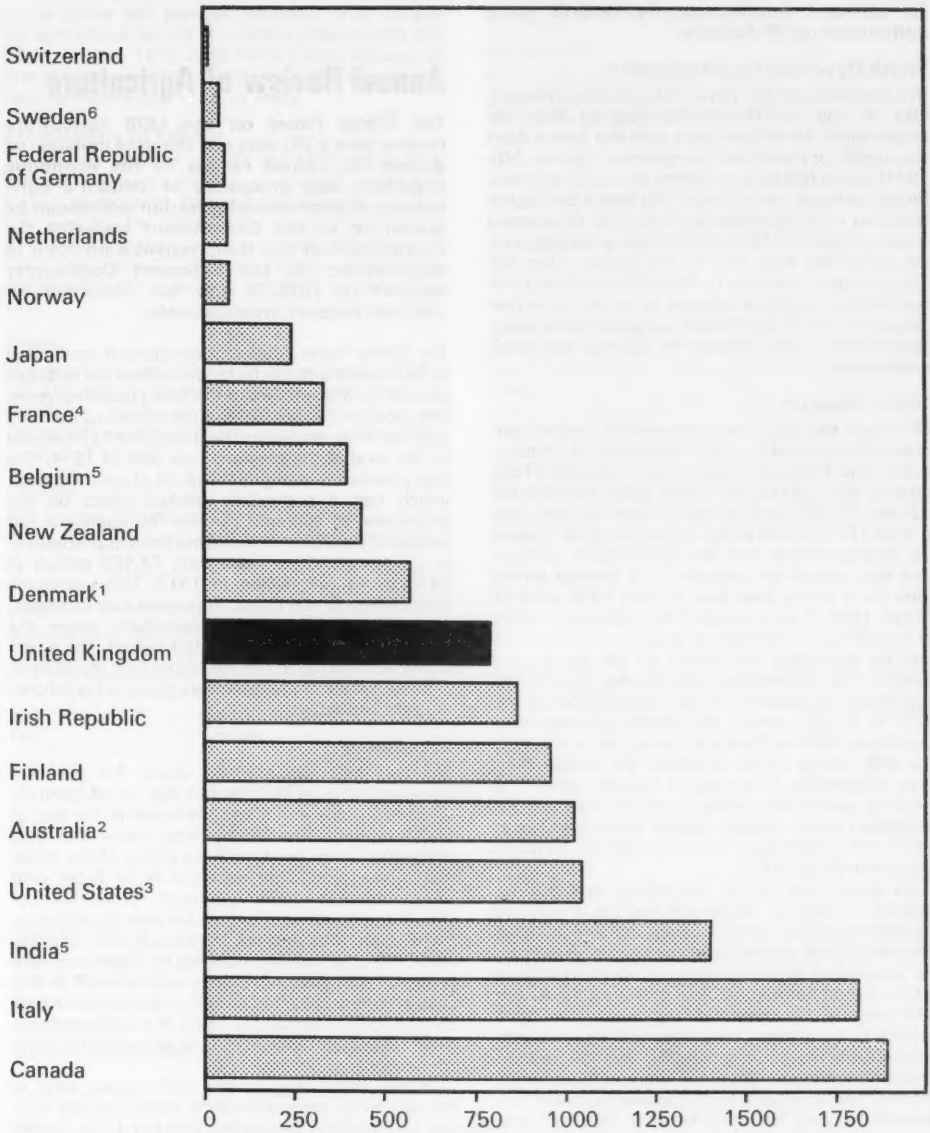
(Manufacturing industry) (1971-75)

	Annual average 1971-73	1974	1975	Annual average 1974-75	Annual average 1971-75
Percentage of establishments not affected by stoppages	97·8	97·2	98·1	97·7	97·7
Percentage of total employment in unaffected establishments employing:					
11–24 employees	99·8	99·1	99·4	99·3	99·3
25–99 employees	98·9				
100–199 employees	96·7	96·4	97·5	97·0	96·8
200–499 employees	93·1	91·2	94·6	92·9	93·0
500–999 employees	83·7	79·0	86·9	83·0	83·4
1,000 or more employees	56·1	45·0	42·2	43·6	51·1
Percentage of total employment in all unaffected establishments	81·1	76·4	77·7	77·1	79·5

Source: *Department of Employment Gazette*

Industrial Disputes — How the United Kingdom Compares

Annual average number of working days lost per 1,000 employees, 1967–1976



1 Manufacturing only
2 Including electricity and gas, excluding communication
3 Figures cover also electricity, gas and sanitary services
4 1968 not included
5 1976 not included
6 All industries included up to 1971

Source: *Department of Employment Gazette*

Measures to Reduce Unemployment

Government proposals to develop the youth opportunities programme and other measures to reduce unemployment in 1978-79 were announced on 30 January.

Youth Opportunities Programme

In a statement in the House of Commons (*Hansard*, 30.1.78, cols 63-70) the Secretary of State for Employment, Mr Albert Booth, said that from 1 April the youth opportunities programme (see p 278, 1977) would replace or subsume all current schemes for unemployed young people and would double the provision currently made for them. The programme would provide 230,000 opportunities every year with the guarantee that any young person who left school either at Easter or in the summer and who had not obtained a job or chosen to go on to further education would be offered an appropriate place somewhere in the scheme for training and work experience.

Other measures

Mr Booth said that the other special employment measures operated by the Department of Employment – the temporary employment subsidy (TES) (see p 156, 1977), the small firms employment subsidy (SFES)[1] and the job release scheme (see p 279, 1977) – had made a very important impact on unemployment and the Government planned that they should be extended in a broadly similar form for a further year from 1 April 1978 until 31 March 1979. It also intended to enlarge the scope of the SFES by extending its geographical coverage and by increasing the impact of the job release scheme. The Government was putting plans to the European Commission for the continuation of the TES in a way which Mr Booth believed was consistent with the Treaty of Rome. In the event of the TES having to be modified, the Government was considering a scheme to support short-time working and would shortly introduce proposals for legislation which would provide powers to cover alternative employment schemes and the planned extension of the SFES.

Mr Booth said that in due course he would be making a detailed statement to the House of Commons on the precise means by which these schemes would operate over the year from 1 April. He concluded by saying that, although overnight results would not be obtained in view of the length and depth of the present recession and the rapid growth in the number of people seeking work, the Government would, in developing the schemes, be able to provide the basis for faster and sustained growth and more jobs. In the meantime, it was not content to wait for them to bear fruit but was pressing on with the development of its special measures, which were making a large and immediate impact on unemployment and were giving valuable training or job opportunities to those who would otherwise be unemployed.

[1]This scheme, first announced in the Spring 1977 Budget (see p 156, 1977), enables small manufacturing firms in the special development areas in north-east and north-west England and in parts of Wales and Scotland to claim up to £20 a week for each extra job they provide. A firm can qualify for the subsidy if it is an independent business in the private sector and employed fewer than 50 workers on 29 March 1977. The scheme was originally run as an experiment for six months from 1 July 1977 and was subsequently extended to 31 March 1978.

Annual Review of Agriculture

The White Paper on the 1978 agriculture review (see p 76) sets out the data considered during the annual review of the economic condition and prospects of Britain's agriculture. It provides information which can be drawn on by the Government both for the formulation of the Government's position in negotiations on the European Community support in 1978-79 and for decisions on national support arrangements.

The White Paper notes that agricultural production in 1977 made a dramatic recovery from the setbacks caused by the weather in the two preceding years. Net product is expected to have recovered from the very low level caused by the drought in 1976 almost to the level of the previous best year of 1974. The improvement was largely the result of good weather, which had a particularly marked effect on the production of milk and cereals. The aggregate net income of the industry, excluding stock appreciation,[1] is expected to have risen from £1,158 million in 1976 to £1,348 million in 1977. This represents little change in real terms. Aggregate cost increases, at £322·5 million, were substantially below the £895 million recorded at the last review. There was a further small fall in the volume of new investment.

Some details of the review are given in the following text and tables.

Production

Sales of milk increased by about 4·5 per cent compared with 1976; this was due to substantially improved yields and a small increase in the size of the dairy herd. The White Paper notes that beef production is in the downward phase of the cycle, with home production expected to be 5 per cent lower than in 1976. Although production of sheepmeat is expected to be 4 per cent lower than in 1976, there was a small increase in the breeding flock. The pig breeding herd fell by 7 per cent as a result of economic difficulties encountered in this sector (see p 220, 1977) but returns to producers are expected to recover in 1978. It is estimated that there were slight increases in egg and poultrymeat production.

In the arable sector, the 1977 cereal crop is forecast to be some 3·7 million tonnes greater than the 13·26 million tonnes produced in 1976, mainly because of higher yields. The potato area was higher than in 1976 and, with yields higher than in that year (when they were affected by the drought), supplies should be more than adequate. Sugar beet yields were above the low level of the preceding three years.

[1]See footnote to Table I, p 69.

The value of horticultural output continued to improve. Increased efficiency and greater competitiveness due to the depreciation of sterling have been important factors contributing to the profitability of horticulture.

The index of net product (that is, the value added to the goods and services purchased from outside the agricultural sector) at constant prices, which had fallen to 89 in 1976 (with 1975=100) because of drought, is expected to have risen to 112 – almost back to the average 1972-74 level.

Productivity of Labour

The adverse weather in 1975 and 1976 reduced the volume of output and this is reflected in reduced labour productivity (the volume of gross product per person) for these two years; however, a substantial recovery to a record level is forecast for 1977 (see Table 1). Over the past ten years labour productivity has increased at nearly 4 per cent a year.

Costs

Net cost increases since 1976 are assessed at about £322·5 million. Increases include machinery depreciation, labour and fertilisers, while there are estimated reductions in the costs of feedingstuffs, seeds and interest.

Income

Net income (broadly the return to farmers and their wives for their labour and for the use of investment other than land and buildings) at current prices is expected to show an increase of 16 per cent when stock appreciation is excluded, but a 2 per cent fall when this is included. However, after allowing for inflation, little change in net income in real terms is expected when stock appreciation is excluded, and a 15·5 per cent fall when it is included.

Investment

It is estimated that the value of new investment in physical assets (gross capital formation) rose in 1977 (see Table 2). However, in volume terms, new investment in plant, machinery and vehicles is expected to be between 1 and 2 per cent lower than in 1976, and in buildings and works, 5 per cent lower. The physical level of stocks and work-in-progress is expected to be higher than in 1976, reflecting larger stocks of harvested crops.

Public Expenditure

The estimated expenditure on price guarantees, grants and subsidies (excluding the brucellosis incentives and the milk subsidy) in 1977-78 is about £204 million – a decrease of about £3 million compared with the preceding year. Expenditure under the European Community's common market organisation is estimated to increase by some £33 million to about £204 million in 1977-78. Some of this expenditure, the White Paper points out, benefits consumers and overseas exporting interests rather than producers. [This is so especially in so far as it helps to reduce prices of imported food.]

Table 1

Agricultural Net Income, Net Product and Labour Productivity
(all commercially significant holdings)

Year	Net income at current prices £ million		Net product at constant prices Index	Labour productivity Index
	Including stock appreciation	Excluding stock appreciation*	1975 = 100	1975 = 100
1973	1,198	858	113	102
1974	1,340	742	114	107
1975	1,435	930	100	100
1976	1,835	1,158	89	91
1977 (forecast)	1,796	1,348	112	111

*Stock appreciation is that part of the change in the value of stocks and work-in-progress attributable to the change in the cost of inputs between the beginning and end of year.

Table 2

Gross Capital Formation

£ million

Year	Plant, machinery and vehicles	Buildings and works	Increase in valuation of work-in-progress and stocks*	Total
1973	231	209	415	855
1974	308	251	606	1,165
1975	372	241	290	903
1976	500	226	622	1,348
1977 (provisional)	614	258	724	1,596

*Excluding change due to volume of purchased feed and fertilisers.

Nuclear Power Programme

Following a review of Britain's nuclear reactor policy, the Government has decided that two further advanced gas-cooled reactors (AGRs) should be ordered, but that work on the steam generating heavy water reactor (SGHWR), which had been adopted for the next stage of the nuclear power programme (see pp 280-1, 1974), should be discontinued. In addition, the Government has announced that Britain will develop the option of proceeding with a pressurised water reactor (PWR) system in the early 1980s.

Thermal Reactor Policy

The Secretary of State for Energy, Mr Anthony Wedgwood Benn, made a statement on the Government's nuclear reactor policy in the House of Commons on 25 January (*Hansard*, cols 1391-3). Mr Benn said that, since his announcement in June 1976 that he would be taking stock of the SGHWR programme at the suggestion of the United Kingdom Atomic Energy Authority, a thorough review of thermal reactor policy had been carried out and there had been extensive consultations with all the main bodies concerned. These bodies had advised unanimously that 'in the changed circumstances of today the SGHWR should not be adopted for the next power station orders', and the Government had decided accordingly that it would be right to discontinue work on the SGHWR.

Mr Benn said that the Government agreed with the electricity supply industry that two orders were needed for nuclear stations in the very near future. The Government had therefore decided to authorise the Central Electricity Generating Board and the South of Scotland Electricity Board to begin work at once with a view to ordering one AGR station each as soon as possible. Completion of the existing AGR programme[1] and the successful construction of the next two AGR stations would be the first priority in the nuclear power programme.

Mr Benn said that the Government considered that at this stage the nuclear power programme should not be dependent upon one reactor system and that, as well as proceeding with the AGR, there must also be the option of adopting the PWR system. (The PWR system was developed in the United States and PWR stations are now in operation or under construction in many countries.) This view was supported by the electricity supply industry which had indicated that, to establish the PWR as a valid option, it wished to declare an intention to order a PWR station, provided that design work was completed satisfactorily and that all the necessary consents and safety clearances had been obtained. Mr Benn said that this intention, which did not call for an immediate order, was endorsed by the Government. He noted that the industry considered that work on the site could not be started before 1982.

Mr Benn indicated that orders for further nuclear power stations would be a matter for decision at the appropriate time. He said that the Government's aim was to establish 'a flexible strategy for the United Kingdom nuclear power programme in the light of developing circumstances' and that it believed that the current decisions would do so.

[1]Two AGR stations – Hinkley Point B (Somerset) and Hunterston B (Strathclyde) – have been commissioned and three more stations are under construction: Dungeness B (Kent), Hartlepool (Cleveland) and Heysham (Lancashire).

Airports Policy

The Government has set out its policy for the development of the airports in Great Britain over the next 12 years in a White Paper published on 1 February. Additional capacity will be required to meet the rapid growth expected in the demand for air travel; by 1990 Great Britain's airports might be handling more than double the amount of traffic handled in 1976. This will be achieved by the expansion of existing airports rather than by the construction of new airports. In the London area priority will be given to encouraging traffic to use Gatwick, and new terminals are envisaged at Heathrow and Gatwick, although the Government has decided that limits should be placed on the growth of existing airports. The Government is encouraging the growth of traffic at airports outside the South East and has identified a limited range of airports where passenger services might be concentrated. The growing use of quieter aircraft is expected to reduce the disturbance caused by aircraft noise, but, nevertheless, the Government is continuing to develop policies to mitigate the effects of aircraft noise, and several measures are outlined in the White Paper.

WHITE PAPER

The White Paper[1] assesses the future demand for airport capacity and how this might be met during the period to 1990, outlines the airport options for the longer term, and considers the environmental effects of airport development. It was drawn up following extensive consultations on a two-part document, *Airport Strategy for Great Britain* (for publication details, see pp 497, 1975 and 302, 1976). In a statement in the House of Commons on 1 February (*Hansard*, cols 456-7), the Secretary of State for Trade, Mr Edmund Dell, said that the White Paper provided a sound framework for the future development of Great Britain's airports.

Development of a National Airports Policy

The White Paper says that the strategy for the Government's national airports policy is based on several factors, including the recognition that the air transport industry makes a valuable contribution to Britain's economy; the principle that air transport facilities should not, in general, be subsidised by taxpayers or ratepayers; the need to take careful account of the environmental impact of airport

[1]*Airports Policy*. Cmnd 7084. HMSO, 85p. ISBN 0 10 170840 8.

developments; and the more effective use of existing airport and other infrastructure resources. The Government does not intend to use the policy to dictate to airlines and airport authorities the precise conditions under which they should operate, but aims to ensure that the decisions and policies of the aviation authorities are consistent with the national airports strategy. The framework in the White Paper and the developments envisaged over the period to 1990 provide a guide to these policies and decisions.

Official estimates in the White Paper suggest that the number of terminal passengers using Great Britain's airports will rise from 43·6 million in 1976 to between 86 million and 117 million in 1990, of whom between 66 million and 89 million will pass through the four main airports in the London area (Heathrow, Gatwick, Luton and Stansted), compared with 31 million in 1976. The forecasts indicate continuing growth after 1990. In the South East the problem is where to provide the additional airport facilities which will be necessary in the 1980s, while in other areas the problem is that some airports are under-used and operate at a loss. The Government believes that in the London area clearly foreseeable demands should be met by bringing forward proposals for the limited expansion of existing airports, and that elsewhere air services should be encouraged to concentrate at a few selected regional airports. It rejects the suggestion that the air transport industry should be forced to divert some traffic from the London area to regional airports, as this would involve damaging restrictions on the industry's operations.

Airports in the London Area

For the period up to 1990 the Government has decided that no new airport is required for the London area and reaffirms its decision taken in 1974 (see pp 323-5, 1974) to abandon the project for an airport at Maplin. The most immediate objective is to build up traffic at Gatwick to use the extensive new facilities (see p 353, 1977) and to relieve the serious congestion expected at Heathrow from about 1981; the Government has already announced its policy for the transfer of some services from Heathrow to Gatwick (see p 207, 1977). During the 1980s the Government envisages a fourth terminal at Heathrow to enable the airport to handle 38 million passengers a year, the construction of a second terminal at Gatwick to raise its annual capacity to 25 million passengers and additional facilities at Stansted so that it will be able to handle 4 million passengers a year, while at Luton it thinks that facilities should be restricted to the maximum capacity of a single terminal (5 million passengers a year). In this way a total capacity of about 72 million passengers a year would be provided. However, the Government accepts that limits should be placed on the growth of existing airports. Accordingly it proposes that Heathrow's ultimate development should be limited to not more than four terminals and rejects the possibility of a second runway at Gatwick. Possible solutions envisaged to cater for continuing growth beyond 1990 are a major expansion at Stansted, the development of an existing military airfield as a civil airport, or the construction of a new airport.

Other Airports

The White Paper says that no new airport is required elsewhere in England and Wales and an all-cargo airport would not be viable. It says that Manchester airport, which has adequate facilities to meet expected demand until at least 1990, should consolidate its position as a 'gateway' international airport and as the main airport outside the South East. Other principal regional airports identified are Birmingham, Cardiff, East Midlands, Leeds/Bradford and Newcastle upon Tyne.

The Government has decided that there is no need for a new airport in central Scotland. No decisions are given on the development of the main Scottish airports or on the future of the Highlands and Islands aerodromes, as the Government believes that these decisions should be a matter for the proposed Scottish Assembly (see pp 452-4, 1977).

General Aviation

Adequate provision for private and recreational flying is available, but business aviation places an additional demand on the capacity of airports in the South East. The Government has decided that the airports at Biggin Hill, Leavesden, Luton, Northolt, Southend and Stansted should accommodate business flights to and from the South East, and that discussions should begin with a view to establishing Biggin Hill as the major general aviation airport in the London area and to its possible acquisition by the British Airports Authority.

Finance

Losses at local authority airports in England and Wales are running at over £5 million a year. The White Paper says that, with the exception of subsidies for air transport in the Highlands and Islands of Scotland, there is no justification for subsidising airports and air services in Great Britain. The Government is continuing to urge the application of policies aimed at reducing financial losses as effectively as possible.

Aircraft Noise

The Government expects that over the next 15 years there should be a marked decline in the number of people adversely affected by aircraft noise, because noisier aircraft will gradually be withdrawn from service and replaced by quieter types which meet the noise certification standards. It is continuing to develop policies to reduce the effects of aircraft noise and to seek international agreement on more stringent noise standards for aircraft. Mr Dell said that environmental considerations, especially aircraft noise, were a vital factor in the development of airports policy. The White Paper announced two decisions on subsonic jet aircraft which did not meet the requirements for noise certification. British operators would not be allowed to use aircraft of this type acquired after 30 September 1978, and all such aircraft on the British register would be banned from 1 January 1986.

Other action planned by the Government includes seeking powers to ensure that airport authorities can discriminate between noisy and quiet aircraft in their charging policies; the phasing out of flights by noisier aircraft at night at Heathrow, Gatwick and

Stansted, while the Government will indicate to the owners of Luton airport that it expects that a similar policy should be followed there; establishing a programme of research into the relationship between aircraft noise and sleep disturbance; and reaffirming and clarifying advice to local authorities that new housing development should not be permitted in areas close to major airports seriously affected by aircraft noise.

International Satellite Launched

The International Ultra-Violet Explorer (IUE) satellite, which was successfully launched by a United States rocket from Cape Canaveral, Florida, on 26 January, is beginning a new era in observational astronomy. The IUE project is sponsored by the National Aeronautics and Space Administration (NASA) in the United States, the European Space Agency (ESA) and the Science Research Council (SRC) in Britain. It involves placing an observatory satellite, containing a telescope and ultra-violet spectrophotometer, in a geosynchronous orbit in which it can be operated from the two special ground stations, one in the United States (the Goddard Space Flight Center) and one in Europe (Madrid). IUE will be operated in a similar manner to a ground-based observatory but will not be limited to viewing only at night; it will provide observing opportunities for many astronomers in Britain and the rest of Europe, in the United States and elsewhere. Observing time will be shared: two-thirds (16 hours per day) will be allocated by NASA, one-sixth by ESA and one-sixth by SRC. Already over 100 scientists from 17 countries have been allocated observing time on IUE.

Understanding of the universe has been greatly expanded since the development of means of making scientific observations from altitudes above the absorbing effects of the earth's atmosphere, in the infra-red, ultra-violet (UV), X-ray and gamma-ray regions of the universe. IUE will provide a complete system for research in UV astronomy. From IUE observations it is expected that basic information will be derived on most of the major problems in modern astronomy.

In several respects, particularly in the management and operation of an international astronomical guest observer facility, IUE is the forerunner of NASA's Space Telescope, which is due to be launched early in the 1980s. Britain has already won contracts for work on the Space Telescope (see p 444, 1977).

British Contribution

Unlike previous collaborations, in which British experiments have been flown on ESA and NASA satellites, Britain's contribution to the project is essential to the success of the whole mission. Britain has provided the UV-sensitive television cameras used for spectra detectors and associated image processing computer programs. The project involves collaboration between the SRC's Appleton Laboratory near Slough and the Department of Physics and Astronomy at University College, London, and is funded mainly by the SRC. The Appleton Laboratory is responsible for overall British technical, programme and financial management and liaison with the Goddard Space Flight Center and ESA. It has undertaken development of image correction and calibration computer programs and management of industrial contracts placed by Britain – where the work was led by Marconi Space and Defence Systems Ltd, in the role of prime contractor with responsibility for designing, developing and testing the UV detector cameras.

Shorter Notes

REPAYMENT TO INTERNATIONAL MONETARY FUND

The Chancellor of the Exchequer, Mr Denis Healey, announced on 26 January (*Hansard,* 26.1.78, oral answers, col 1572) that Britain intends shortly to reapy, ahead of schedule, the equivalent of $1,000 million to the International Monetary Fund (IMF). The precise date will be settled in discussion with the IMF. This will further the Government's policy of spreading its debt repayment obligations, many of which fall due in the years 1979-84.

The repayment of $1,000 million will be a substantial first step towards repayment of Britain's total debts to the IMF, which are equivalent to $4,890 million. The repayment will be applied mainly to the first credit tranche of $850 million; the application of the remainder will be discussed with the fund. By providing the maximum benefit to the IMF's liquidity, the repayment will help to improve its ability to meet the needs of other borrowers.

Britain's debt repayment obligations will be at heir highest in the years 1979-84. when they will total about $20,000 million. The *Economic Progress Report* for February 1978, issued by the Treasury,[1] states that it si the policy of the Government to spread the burden of this dept both by early repayment and by new borrowing. The early repayment of $1,000 million to the IMF will further this policy.

[1]Available from Circulation Section (H), Central Office of Information, Hercules Road, London SE1 7DU.

SOCIAL AND CULTURAL AFFAIRS

The British Council

ANNUAL REPORT

In 1976-77 the British Council spent some £41·6 million in promoting knowledge of Britain and the English language overseas and in developing cultural relations with other countries. Of this, about £31·3 million was financed by Government grants, and the remainder from British Council earnings and donations. In addition, the Council administered the expenditure – mainly on behalf of the Ministry of Overseas Development (ODM) – of some £25·5 million on educational aid to developing countries. Details of the Council's operations financed by these funds are contained in its annual report[1] published in January 1978.

English Language Teaching

One of the Council's major objectives in the past year has been the expansion of the direct teaching of English at existing Council centres and the creation of new centres for this purpose. The report noted that a number of feasibility studies had led the Council to increase its teaching activities in Portugal, Spain, Italy, Greece, Morocco, Egypt, and widely elsewhere in the Middle East. New Council centres have been started in Hong Kong, Amsterdam and Alexandria, and plans are in progress to establish centres in Venezuela, the Lebanon and Salonika.

The report noted the introduction in January 1977 of the new Key English Language Teaching Scheme, funded by ODM and administered by the Council, which will eventually replace the Aid to Commonwealth English and English as a Foreign Language schemes, and will standardise conditions of service for key English language teaching personnel in developing countries.

Educational Work

Education is the widest of the fields in which the Council works and, together with science and medicine, it is a major instrument in the pursuit of the council's aims.

The report stated that at the end of March 1977, 777 teachers recruited or seconded by the Council were serving in universities, training colleges or schools, or in advisory posts with ministries of education in 78 countries. The Council also acted as the overseas administrative agency for about 740 volunteers serving in 18 developing countries under the British Volunteer Programme, sponsored over 1,400 tours and cultural and academic exchanges of specialists in a wide range of subjects and arranged 250 similar exchanges for other organisations. Overseas students and visitors to Britain assisted by the Council during the year under review numbered almost 30,000. Of these, 17,608 came to Britain under the Council's own schemes. About one-third of these visitors were interested in some aspect of British education, while the remainder followed programmes in the arts, humanities and sciences.

The number of students coming to Britain for full-time study or training continued to increase. In 1975-76 (the latest year for which figures are available) there were about 114,000. About 85 per cent of the total number of students attending courses in the public sector (universities, polytechnics, colleges of further education and colleges of education) are from developing countries, the largest number being from Malaysia, Iran and Nigeria.

The report records the establishment during 1976-77 of the University Projects Group (UPG), an association of distinguished academics from leading British universities, whose aim is to enable British higher education resources to respond quickly and effectively to overseas invitations to bid for contracts to supply educational services on a commercial basis. Already, in collaboration with the council and with Government support, the UPG has assembled, scheduled and costed academic inputs for a new Saudi Arabian university and for studies in higher education in Algeria.

Over 80 per cent of the overseas teaching posts filled by Council-recruited staff in 1976-77 were in the field of English language teaching. Other appointments made during the year reflect a widening in the demand for British educational expertise; staff on contract during the year under review included a nautical technician, a physical education teacher, an expert on biological statistics and a director of postgraduate studies in town and country planning.

Libraries and Books

Expenditure in the field of books in 1976-77 (including administrative overheads) was £8,460,000, of which £2,590,000 was for presentation of books and periodicals (on behalf of

[1] *The British Council 1976-77*. HMSO, 50p. ISBN 0 900229 44 6.

the ODM), £840,000 for book promotion and £5,030,000 for the running of Council libraries and other associated activity.

The activity of Council libraries and libraries associated with the Council (like those of anglophile societies in Latin America) remains fairly constant, with around 400,000 members borrowing between six and seven million books every year. A major Council library will deal with some 20,000 inquiries a year, ranging from simple requests to inquiries necessitating considerable research and sometimes reference to London. In 1976-77 some 214,000 books were supplied to Council and associated libraries, and 21,000 books were presented to other institutions such as universities, colleges and schools. In 1976-77 the number of specialists visiting Britain to study British library organisation numbered 285 compared with 165 in the previous year, and included not only librarians but also architects wishing to benefit from British experience in library building. At the same time 72 British experts went overseas on various assignments, including organising training courses and advising on the planning of library and information science development in 35 countries.

In addition to its own work, the Council acts as agent in administering three schemes for the ODM. These are the Library Development Scheme, under which assistance involving the expenditure of £244,000 was given in 1976-77 to 30 countries in the form of books, equipment and mobile libraries and in the organisation of training courses and seminars; the Books Presentation Programme, under which books and periodicals to the value of about £841,000 were supplied to 803 institutions; and the Low Priced Books Scheme. This last provides textbooks for sale to students in certain developing countries at between one-third and one-half of the full cost, and in 1976-77 nearly 2·1 million copies were produced and 2·1 million sold. The number of titles in print at the end of the year was 368.

The promotion of books is a major Council activity involving close collaboration with British publishers. Exhibitions of books and periodicals organised by the Council during the year numbered 233 and involved some 85,000 books. Exhibitions concerned with the teaching of English were arranged in 27 countries, while other exhibitions covered a wide range of subjects including Commonwealth literature, rural medicine, business and industrial management and contemporary Britain.

The Arts

Although there were fewer major tours by the larger companies in drama and music in 1976-77, the Council helped to organise and finance a very large number of smaller but no less important events, including the Actors' Company tour of Latin America and a round-the-world tour by the London Sinfonietta. In all, the Council sponsored 43 drama and ballet tours and supported 74 music and opera tours, covering 44 countries. In the fine arts, the Council was associated with 37 exhibitions of paintings, sculptures and other works of art. In addition, 26 documentary, photographic and poster design exhibitions toured 40 different countries during the year.

DOCUMENTATION

Government and Administration

United Kingdom Government Ministers. COI, SN 5657/78/1.

Chequers. COI, SN5685.

The Lord Chancellor, by Maurice Bond and David Beamish. House of Lords Information Office. HMSO, £1·25. ISBN 0 11 700573 8.

Committee on Political Activities of Civil Servants. Report of the committee set up in May 1976 under the chairmanship of Sir Arthur Armitage (see p 264, 1976) to review the rules governing the active participation of civil servants in national and local politics considers that the present arrangements are unnecessarily restrictive and could be substantially amended without damaging the political impartiality of the service. It recommends, therefore, that apart from some 3 per cent of staff in senior grades, much larger numbers than at present should be able to take part in national and local activities, provided permission is sought. Permission would be granted according to the nature of the work on which an individual was engaged. Cmnd 7057. HMSO, £1·35. ISBN 0 10 170570 0. In reply to a question in the House of Commons, Mr Charles Morris, Minister of State in the Civil Service Department, said that full consultations would be held with political parties before the Government's conclusions on the report are announced. *Hansard,* 11.1.78, written answers, col 764.

Scottish Abstract of Statistics No 7, 1977. HMSO, £6·25. ISBN 0 11 491512 1.

Official Information. The Prime Minister, Mr James Callaghan, has published a letter written by the head of the Civil Service to heads of departments in July 1977 describing changes to be made to make available more official information. A brief announcement of the changes was made in August 1977 (see pp 331-2, 1977). *Hansard,* 26.1.78, written answers, cols 691-4.

Saint Lucia. COI, FS16/77.

External Affairs and Defence

Agreement extending the Interim Agreement between the European Economic Community and . . . Algeria. Cmnd 7066. HMSO, 25p. ISBN 0 10 170660 X.

Agreement extending the Interim Agreement between the European Economic Community and . . . Tunisia. Cmnd 7067. HMSO, 25p. ISBN 0 10 170670 7.

Exchange of Notes between Great Britain and . . . the French Republic concerning appeals from the native courts of the New Hebrides. Cmnd 7063. HMSO, 15p. ISBN 0 10 170630 8.

Exchange of notes between Great Britain and . . . the French Republic concerning legal aid to poor persons in the courts of New Hebrides. Cmnd 7064. HMSO, 15p. ISBN 0 10 170640 5.

Economic and Scientific Affairs

The Government's Expenditure Plans 1978-79 to 1981-82 (see p 52). *Volume I.* Cmnd 7049-I. HMSO, 70p. ISBN 0 10 170490 9. *Volume II,* Cmnd 7049-II. HMSO, £2·35. ISBN 0 10 170491 7.

Economic Trends Annual Supplement 1977. Brings together long runs of quarterly and annual data for the key series of economic statistics. HMSO, £2·65. ISBN 0 11 724979 3.

Some Recent Advances and Developments in Britain. COI, R5656/26.

Inland Revenue. 120th report of the commissioners for the year ended 31 March 1977. Cmnd 7092. HMSO, £1·10, ISBN 0 10 170920 X.

Family Expenditure Survey 1976. (see p 58). HMSO, £4·50. ISBN 0 11 361089 0.

Distribution of Income and Wealth. Royal Commission on the Distribution of Income and Wealth,

Background Paper No 3, The Effects of Certain Social and Demographic Changes on Income Distribution. HMSO, £2·75. ISBN 0 11 730106 X. (See pp 462-6, 1977.)

Employment analysed by sector and industry 1971-76. A recent article in *Economic Trends* shows that out of a total employed labour force in Britain of about 24·8 million in June 1976 nearly 17·5 million were employed in the private sector; the remaining 7·3 million were employed by central Government (2·3 million), local authorities (3 million) and public corporations (2 million). Also in June 1976, well over half of all civilian employees of central Government were in the National Health Service, while employees in education services accounted for more than half of all employment by local authorities. The article shows that, while the private sector share of the total employment labour force fell from 72·9 per cent in June 1971 to 70·5 per cent in June 1976, early indications are that the numbers employment by central Government, local authorities and public corporations were all reduced between June 1976 and June 1977, and that during this period the private sector share of total employment increased. The article includes for the first time an analysis by industry group of self-employed people. *Economic Trends* No 290, December 1977. HMSO, £1·95. ISBN 0 11 724978 5.

New Earnings Survey 1977. Part D. Analysis by occupation. (See also p 32 and pp 442, 447 and 470, 1977.) Department of Employment. HMSO, £2. ISBN 0 11 723811 2.

Report of the Working Group on the Employment of Non-domiciled Seafarers. Department of Trade. The report recommends a plan for closing the gap between the pay of British-based ratings and ratings not resident in Britain on British merchant ships. HMSO, £1·75. ISBN 0 11 512131 5.

Industrial Disputes in Britain. COI, SN6034.

Trade Unions. COI, FSB/C10.

Manpower and Employment in Britain: Industrial Training. COI, R5777.

Manpower Services Commission (MSC). From 1 April 1978, the MSC's operations will be integrated into a single manpower services organisation, the Employment Services Agency and the Training Services Agency (see p 69, 1974) disappearing as such and their services being provided by separate operational divisions of the MSC. A third operational division will be responsible for the MSC's special programmes for unemployed young people and adults. The changes follow acceptance of a review of MSC organisation by the Secretary of State for Employment, Mr Albert Booth. The commission considers that these developments will lead to improved services, greater efficiency and better use of resources. *Hansard,* 16.12.77, written answers, col 440, and MSC press notice, 16.12.77.

Regional Statistics: No 13, 1977. Central Statistical Office. HMSO, £6·50. ISBN 0 11 630171 6.

Health and Safety: Employment Medical Advisory Service Report 1975-76. (See also p 356, 1975 and p 33.) Health and Safety Executive. HMSO, £1·50. ISBN 0 11 883017 1.

Government and Industry: The Industrial Strategy. COI, SN6033.

Construction Industry: Manpower Board. Measures to increase the stability of employment in the construction industry are proposed in the second report of the Construction Industry Manpower Board (see p 131, 1976). In a written answer to a question in the House of Commons (*Hansard,* 24.1.78, written answers, cols 515-16), the Minister for Housing and Construction, Mr Reg Freeson, said he welcomed the report and believed that if it proved generally acceptable it would make an important contribution towards the improvement of industrial relations in the industry. Mr Freeson said he would now seek the views of the trade unions and employers' organisations concerned and that the board would now turn to consideration of Government measures to tackle abuses of the 'lump' (see pp 197 and 365, 1975). Available free from the Press Office, Department of the Environment, 2 Marsham Street, London SW1P 3EB.

British Industry Today: Energy. COI, R5977.

Farm Size in Relation to Technology and Competition, by Dr Keith Dexter. This Bledisloe Memorial Lecture 1978, given at the Royal Agricultural College, Cirencester, by the Director General of the Agricultural Development and Advisory Service, includes an analysis of British agriculture's competitive position within the European Community. Available free, from the Press Office, Ministry of Agriculture, Fisheries and Food, Whitehall Place, London SW1A 2HH.

Annual Review of Agriculture 1978. Cmnd 7058. HMSO, £1·25. ISBN 0 10 170580 8.

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INDEX

January—February 1978

Adult literacy, 29
Agriculture, annual review, 68
Airports policy, 70
Anglo-French relations, 13
Anglo-Greek relations: visit by Greek Prime Minister, 49
Arab-Israeli relations, 14
Arms control and disarmament, 47

Belize, 50
British Aerospace, 24
British Council, 73
British Leyland: reorganisation plans, 60

Company law reform: the conduct of company directors, 19
Company profit-sharing schemes, 62
Crown Agents, 4
Cyprus, 51

Defence expenditure, increase in, 50
Devolution, 39
Direct elections to the European Assembly, 3, 40
Disabled, help for, 28

Electric vehicles, 24
Energy conservation, 21
European Community, 3, 7, 40, 44
Exchange control, 18
Export finance, 23

Falkland Islands, 6
Family Expenditure Survey 1976, 58

Ill-health, preventing, 26
Industrial relations, 65
Industrial strategy: progress review, 59
Industrial training: new programme, 20
International Monetary Fund
  Chancellor's letter to, 17
  repayment to, 72
International satellite launched, 72

Legislation, recent, 4

Middle East: Arab-Israeli relations, 14

National Enterprise Board – definition of financial duties, 24
North Atlantic Treaty Organisation, 10
Northern Ireland, 40
Nuclear power programme, 70

Overseas project insurance, 23

Parliamentary broadcasts, 39
Pay policy sanctions, 63
Press Council, 29
Prime Minister's visit to South Asia, 48
Public expenditure plans, 52

Railways, 22

Shorter notes, 6, 23, 29, 50, 72
Social security fraud, combating, 29
South Asia, Prime Minister's visit to, 48

Taxes and social security contributions, international comparisons, 56
Trade unions, membership of, 1966-76, 25

Unemployment, measures to reduce, 68

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